The Discount Industry's Top 100 Chains

		Volume in Millions		Net Earnings (Loss) in Millions		No. of Stores			Net Selling Space (Sq. Ft.) (Add 000)		
Rank	Chain (HQ state)	General Merchandise Last Fiscal Yr.	General Merchandise Previous Fiscal Yr.	Last Fiscal Yr.	Previous Fiscal Yr.	1/86	12/86	To Be Added, 1987	1/86	12/86	To Be Added, 1987
1	K mart (Mich.)	$20,775*†[A]	$21,040*†[A]	$1,058.0**	$1,101.0**	2,180	2,212	35	130,800	132,700	2,100
2	Wal-Mart (Ark.)	7,674†	6,268†	327.5	270.8	859	974	115	43,833	53,570	6,325
3	Target (Minn.)	3,932	3,550	277.8**	235.6**	226	247	NA	22,414	24,497	NA
4	Zayre (Mass.)	2,638†	2,196†	141.9**	122.2**	337	362	NA	17,907	19,235	NA
5	Service Merchandise (Tenn.)	2,247*†	1,607*†	10.7	44.6	287	302	NA	5,800	6,040	NA
6	Best Products (Va.)	2,192†	2,218†	7.1**	30.4**	213	212	NA	6,390	6,360	NA
7	Toys "R" Us (N.J.)[B]	1,976	1,701	119.8	111.4	246	340	70	6,725	8,500	1,750
8	Price Club (Calif.)	1,834[C]	1,141	46.0	28.6	24	34	10	2,160	3,060	900
9	Bradlees (Mass.)	1,620	1,404	30.7**	85.2**	157	162	NA	11,280	11,502	NA
10	Ames (Conn.)	1,513[D]	822	40.4	28.5	306	326	NA	15,300	16,300	NA
11	Caldor (Conn.)	1,338*	1,257*	NA	NA	109	118	NA	8,720	9,440	NA
12	Marshalls (Mass.)	1,324	1,190	NA	NA	236	266	30	7,080	7,980	900
13	Hills (Mass.)	1,320*[E]	1,170	NA	89.1	125	136	10	8,193	8,872	650
14	Gemco (Calif.)	1,287*	1,247*	15.9**	22.8**	80	80	4	6,638	6,638	450
15	Gold Circle (Ohio)	1,058[F]	1,060	39.0**	31.8**	76	76	NA	7,434	7,434	NA
16	Roses (N.C.)	1,009	927	20.3	23.9	204	204	NA	8,160	8,160	NA
17	Venture (Mo.)	1,004	915	58.0**	49.8**	62	66	NA	5,456	5,808	NA
18	Fred Meyer (Ore.)	1,004*	860*	NA	NA	94	94	3	9,212	9,212	294
19	Pay Less (Ore.)	1,003*	920*	NA	NA	183	224	NA	9,150	11,200	NA
20	Meijer (Mich.)	1,000*	960*	NA	NA	54	57	NA	6,172	6,515	NA
21	T. J. Maxx (Mass.)	850*	636*	88.8**[G]	64.2**[G]	191	284	90	4,584	6,816	2,160
22	Sam's Wholesale Club (Ark.)	777	222	NA	NA	23	41	20	2,070	3,690	1,800
23	ShopKo (Wis.)	754	610	41.3**	31.7**	58	68	NA	3,775	4,426	NA
24	Western Auto (Mo.)	725*[E,H]	698	NA	30.1	2,269	2,269	NA	1,379[H]	1,379	NA
25	Circuit City (Va.)	705	519	22.0	20.2	70	90	90	550	800	800
26	Dollar General (Ky.)	584	481	17.8	20.6	1,278	1,338	NA	7,285	7,627	NA
27	Fedco (Calif.)	555*	540*	NA	NA	8	8	NA	675	675	NA
28	Jamesway (N.J.)	542	493	9.3	13.3	91	106	NA	5,290	6,148	NA
29	Alexanders (N.Y.)	520*[I]	520	NA	5.0	15	14	0	2,990	2,890	0
30	Highland (Mich.)	520	359	22.6	14.8	40	46	NA	600	920	NA
31	Child World (Mass.)	513	436	NA	NA	121	136	NA	3,025	3,400	NA
32	Silo (Pa.)	472	330	NA	NA	111	120	NA	2,220	2,400	NA
33	Heck's (W. Va.)	468†	410†	(0.2)**	(6.0)**	166	172	NA	5,810	6,020	NA
34	Pamida (Neb.)	460	451	NA	NA	160	169	NA	3,627	3,800	NA
35	Herman's (N.J.)	420	368	NA	14.7	131	131	NA	1,336	1,336	NA
36	Family Dollar (N.C.)	410	341	28.0	23.6	986	1,180	NA	6,902	7,700	NA
37	Kay Bee (Mass.)	401	347	NA	NA	584	637	50	2,044	2,230	175
38	Howard Bros. (La.)	400*	320*	NA	NA	89	89	NA	4,330	4,330	NA
39	Pep Boys (Pa.)	389	348	21.1	18.3	159	186	NA	3,200	3,720	NA
40	Ross Stores (Calif.)	376	211	7.1	6.7	107	153	NA	3,210	4,590	NA
41	The Federated Group (Calif.)	364	230	10.7	11.7	59	67	NA	1,155	1,395	NA
42	ALCO (Kan.)	363*[E]	364	NA	4.8	150	150	NA	3,960	3,960	NA
43	Burlington Coat (N.J.)	352[O]	310	16.1	16.5	74	80	NA	4,292	4,640	NA
44	Lechmere (Mass.)	349	280	NA	NA	10	17	NA	1,154	1,679	NA
45	Loehmann's (N.Y.)	323*	308*	NA	NA	81	94	NA	1,215	1,410	NA
46	Consumers Distributing (N.J.)	312[P]	261	(2.0)**	(1.3)**	89	90	0	223	225	NA
47	Oshman's (Tex.)	312	304	8.5	10.1	209	215	NA	1,790	2,000	NA
48	S. E. Nichols (N.Y.)	310	294	4.4	6.3	44	46	2	3,300	3,500	200
49	Costco (Wash.)	309[J]	144	1.8	(2.4)	21	31	10	1,890	2,790	900
50	Hit or Miss (Mass.)	300*	291*	88.8**[G]	64.2**[G]	428	468	NA	1,712	1,872	NA
51	Makro (Ohio)	300*	250*	NA	NA	4	4	2	750	750	375
52	OTASCO (Okla.)	288*[H]	300*	NA	NA	579	579	NA	6,325[H]	6,325	NA
53	Lucky Auto Div. (Ariz.)	280*	275*	NA	NA	376	380	NA	1,352	1,404	NA
54	Pic 'N Save (Calif.)	278	232	41.1	36.5	90	94	9	1,425	1,485	142
55	PACE (Colo.)	275	76	(7.5)	0.6	16	25	10	1,440	2,250	900
56	TSS-Seedman's (N.Y.)	275*	275*	NA	NA	21	21	NA	1,589	1,589	NA
57	Clover (Pa.)	273*	250*	NA	NA	20	21	NA	1,289	1,354	NA
58	Value City (Ohio)	265*†[K]	253†	NA	13.7	38	41	NA	2,037	2,488	NA
59	Crazy Eddie (N.Y.)	262	136[L]	13.2	5.9	23	30	4	920	1,200	16
60	Cook United (Ohio)	257[M]	311	(30.8)	(25.3)	49	41	NA	2,744	2,173	NA
61	Sizes Unlimited (N.J.)	254*	281*	NA	NA	255	255	NA	893	893	NA
62	Lionel Leisure (Pa.)	246	225	1.9**	2.1**	56	68	NA	1,624	1,970	NA
63	Fishers Big Wheel (Pa.)	245*	237*	NA	NA	81	84	NA	3,078	3,192	NA
64	Bi-Mart (Ore.)	232	149	0.9	1.3	33	36	NA	990	1,080	NA
65	Syms (N.Y.)	215	204	12.7	12.7	15	19	NA	630	798	NA
66	Ann & Hope (R.I.)	215*	215*	NA	NA	6	6	NA	900	900	NA
67	BJ's Wholesale Club (Mass.)	215*	40*	NA	NA	8	16	10	720	1,440	900
68	Fretter (Mich.)	214	152	18.5	7.2	39	51	NA	546	714	NA
69	Filene's Basement (Mass.)	213	189	NA	NA	17	23	NA	510	690	NA
70	Chief Auto (Tex.)	203*	169*	NA	NA	444	475	NA	1,643	1,758	NA
71	Pacific Stereo (Calif.)	200*[M]	215*	NA	NA	64	NA	NA	295	NA	NA
72	Nationwise (Ohio)	190*	150*	NA	NA	160	180	NA	1,568	1,710	NA
73	Gee Bee (Pa.)	185*	178*	NA	12.7	21	21	NA	1,659	1,659	NA
74	Brendles (N.C.)	184	146	6.6	8.8	31	35	3	868	980	84
75	Audio-Video Affiliates (Ohio)	182	119	7.5	5.7	78	100	NA	780	1,000	NA
76	Harts (Ohio)	181[C]	159	8.7**	5.1**	27	27	NA	1,302	1,302	NA
77	Big 5 (Calif.)	175*	165*	NA	NA	89	89	NA	890	890	NA
78	Price Savers (Utah)	175*	140*	NA	NA	5	10	5	450	900	450
79	Grand Auto (Calif.)	168	154	2.6	4.9	113	113	NA	1,035	1,035	NA
80	Consolidated Stores (Ohio)	163	33[N]	20.9**	4.5**	115	170	50	2,875	4,250	1,250
81	Danners (Ind.)	160	165	(0.5)	0.4	35	35	NA	1,488	1,488	NA
82	Quality Stores (Mich.)	160	138	NA	NA	42	42	0	837	837	0
83	Designer Depot (Mich.)	156*	131*	NA	NA	73	93	25	1,606	2,046	550
84	Rich's (Mass.)	156	143	NA	NA	17	19	NA	868	969	NA
85	W. Bell (Md.)	145*[K]	148	NA	1.5	21	23	2	210	230	20
86	Newmark & Lewis (N.Y.)	142	112	3.8	2.5	34	40	NA	340	400	NA
87	Dress Barn (Conn.)	135*[I]	103	NA	5.3	186	250	50	856	1,150	230
88	United Jewelers (Tex.)	135[C]	139	(1.2)**	10.7**	58	61	3	1,450	1,525	75
89	Sportmart (Ill.)	129*	123*	NA	NA	12	12	NA	360	360	NA
90	Prange Way (Wis.)	128	128	NA	NA	20	20	0	912	912	0
91	Clothestime (Calif.)	127	98	10.0	3.3	190	262	80	760	1,048	320
92	Perry Auto Works (Calif.)	127	81	NA	NA	176	176	NA	1,375	1,375	NA
93	Chaffin (Kan.)	125	125	NA	NA	31	31	NA	950	950	NA
94	Value Club (Tex.)	125*	95*	NA	NA	6	6	NA	510	510	NA
95	Smitty's (Ariz.)	124*	120*	NA	NA	20	20	NA	1,600	1,600	NA
96	Jewelcor (Pa.)	124†	128†	3.9**	6.5**	22	22	NA	438	438	NA
97	Sky City (N.C.)	118*	118*	NA	NA	73	73	NA	2,555	2,555	NA
98	Sunset Sports (Utah)	116*	110*	NA	NA	40	40	NA	600	600	NA
99	Modell's (N.Y.)	114*	110*	NA	NA	6	6	NA	675	675	NA
100	Swallen's (Ohio)	112*	108*	NA	NA	9	9	NA	855	855	NA

*DSN estimate **Operating income

[A] U.S. & Canadian K marts only.

[B] Total corporate volume; stores are Toys "R" Us only.

[C] For fiscal year ended 8/85.

[D] Includes G. C. Murphy acquired 6/85.

[E] Company now privately held.

[F] Includes Richway.

†Discount department store or catalog showroom sales only.

[G] Operating income for Zayre's apparel specialty stores.

[H] Includes sales from company-owned stores & wholesale sales to franchisees; square footage for company-owned stores only.

[I] For fiscal year ended 7/86.

[J] For fiscal year ended 9/85.

[K] For fiscal year ended 6/86.

NA—Not available

[L] 9-month fiscal year ended 3/85.

[M] Operating under Chapter 11.

[N] 4-month fiscal year ended 2/85.

[O] For fiscal year ended 10/85.

[P] In Canadian dollars.

Source: DSN research

Specialty Discounters To Generate $18.1 Billion in '86 Sales

The Top 25 Specialty Chains

Rank	Chain	Sales (in Millions) Last Fiscal Year	Sales (in Millions) Previous Fiscal Year	Number of Stores 1/85	Number of Stores 1/86	Number of Stores 1/87
1	Toys "R" Us (N.J.)[A]	$1,976	$1,701	199	246	340
2	Marshalls (Mass.)	1,324	1,190	209	236	266
3	T. J. Maxx (Mass.)	850*	636*	156	191	284
4	Western Auto (Mo.)	725*[B,C]	698	2,269	2,269	2,269
5	Circuit City (Va.)	705	519	93	70	90
6	Highland (Mich.)	520	359	32	40	46
7	Child World (Mass.)	513	436	104	121	136
8	Silo (Pa.)	472	330	97	111	120
9	Herman's (N.J.)	420	368	115	131	131
10	Kay Bee (Mass.)	401	347	535	584	637
11	Pep Boys (Pa.)	389	348	135	159	186
12	Ross Stores (Calif.)	376	211	66	107	153
13	The Federated Group (Calif.)	364	230	43	59	67
14	Burlington Coat (N.J.)	352[D]	310	68	74	80
15	Loehmann's (N.Y.)	323*	308*	72	81	94
16	Oshman's (Tex.)	312	304	184	205	215
17	Hit or Miss (Mass.)	300*	291*	401	428	468
18	OTASCO (Okla.)	288*[C]	300*	550	579	579
19	Lucky Auto Div. (Ariz.)	280*	275*	459	376	380
20	Crazy Eddie (N.Y.)	262	136[E]	14	23	30
21	Sizes Unlimited (N.J.)	254*	281*	349	255	255
22	Lionel Leisure (Pa.)	246	225	52	56	68
23	Fretter (Mich.)	214*	160*	29	39	51
24	Filene's Basement (Mass.)	213	189	15	17	23
25	Chief Auto Parts (Tex.)	203*	169*	337	444	475

**DSN estimate*

[A] *Total corporate volume; stores are Toys "R" Us only.*

[B] *Company now privately held.*

[C] *Includes sales from company-owned stores and wholesale sales to franchises.*

[D] *For fiscal year ended 10/85.*

[E] *For nine-month fiscal year ended 3/85.*

Source: DSN *research*

Nationwide DSN Report

Discount specialty stores continued to outpace most other retail segments in growth. Sales for automotive, sporting goods and consumer electronics chains will top the $18 billion mark by the end of this year; off-pricer sales will go to just under $10 billion.

In every segment, the leading chain dominated, accounting for the lion's share of the volume.

Toys "R" Us, Marshalls and Circuit City, for example, held onto their leads in their respective fields, following strong gains in the fiscal year just ended.

Circuit City, in particular, grew by an impressive 35.8%, demonstrating the outstanding performance indicative of consumer electronics retailers. In fact, among the top 10 specialty chains, three are consumer electronics merchants.

But it was The Federated Group, of all CE retailers, that had the most impressive growth this year. Its sales gain was approximately 58%.

However, the new fiscal year doesn't look as promising for consumer electronics retailers. Consumer spending is sluggish and the competition for business is tougher. Retailers must decide whether to expand into new markets where competition has a stronghold or forego aggressive expansion plans and concede certain markets.

Regardless of their decisions, CE specialists are becoming more promotional while still emphasizing quality, selection and service. Like the other merchandise segments, CE retailers are learning that only the better managed companies will survive.

In the maturing off-price apparel industry, the shakeout is nearly over. The top two chains, Marshalls and T. J. Maxx, continued to grow and prosper. Melville-owned Marshalls plans to add 30 new units by year end while Zayre's T. J. Maxx expects 103 new ones.

Newer entries have laid out aggressive expansion strategies. Ross Stores is planning for approximately 46 new outlets. Most of these units will be in the Baltimore/Washington area as the retailer continues its leap East and Northward up the coast. Ross opened its first East Coast stores last year in Florida and Georgia.

Zayre's Hit or Miss will add 40 new stores while Associated Dry Good-owned Loehmann's will increase by 13. Filene's Basement and the Burlington Coat Factory each will each grow by six new stores.

The only off-pricer not expecting store growth this year is Sizes Unlimited. Following last year's absorption of Pic-A-Dilly stores, it will spend the year tightening operations nationwide.

Toy specialists, too, are growing steadily, winning more and more market share in the U.S., away from other channels of distribution.

Southeast Region Leads in Discount Store Concentration

Nationwide DSN Report

The Southeast continued to lead as the region of the nation housing the greatest number of discount stores.

That 10-state area is the home of 29.9% of all full line discount stores, catalog showrooms, membership warehouse clubs, off-pricers and specialty stores for sporting goods, toys, automotives and consumer electronics.

The Southeast also showed the highest percentage growth rate in the number of new stores—a 6% jump.

The six-state New England region showed the same 6% increase, while the store growth of the West Central area was 5.8%.

In total, the number of discount stores across the nation is anticipated to grow 4.2% this year.

The Southeast, combined with the Middle Atlantic and East Central region, contained more than half, or 53% of all discount stores in this country. This 21-state spread also accounted for about half of the nation's top 50 metropolitan markets.

The three regions were also responsible for 55.1% of the total square footage for all discount stores in the country.

The five-state Mountain region continued to be the least populated by discount stores. However, the number of stores in that region is projected to increase by 4.1% this year, mirroring the rate of growth throughout the country.

In contrast, the number of discount stores dipped slightly in the four-state Pacific region—the only region to show a decline.

Population plays a key role in determining the number of stores located per state, region, city or town. Demographics and economic trends, though, are integral factors in that determination.

In the six-state Southwest, for example, although the number of discount stores rose over the past year, the 2.9% projected rate of growth is lower than that of most of the other regions.

The retailing industry has been responding to a sluggish economy brought on by a drop in oil prices.

Instead, retailers have been shifting their focus to Northern and Eastern regions, which have been enjoying a resurgence in business. Having suffered the collapse of older factories and businesses, these areas, especially the New England states, have rebounded with new service-oriented and high-tech businesses.

Competition among discount store chains in these regions has tensed up during the past year as retailers have expanded their presence in several key markets or have made new market entries.

Discount Store Location by Region

Region	No. Stores All Discounters 12/86 (Proj.)	No. Stores All Discounters 12/85	No. Stores All Discounters % Change	Net Selling Sq. Footage All Discounters (add 000) 12/86 (Proj.)	Net Selling Sq. Footage All Discounters (add 000) 12/85	Net Selling Sq. Footage All Discounters (add 000) % Change
SOUTHEAST Ala., Fla., Ga., Ky., Miss., N.C., S.C., Tenn., Va., W. Va.	5,038	4,751	6.0%	183,566	174,875	5.0%
MIDDLE ATLANTIC D.C., Del., Md., N.J., N.Y., Pa.	3,998	3,839	4.1	136,860	129,387	5.8
EAST CENTRAL Ill., Ind., Mich., Ohio, Wis.	3,736	3,591	4.0	146,972	141,032	4.2
SOUTHWEST Ariz., Ark., La., N.M., Okla., Tex.	3,307	3,215	2.9	123,394	115,914	6.5
NEW ENGLAND Conn., Me., Mass., N.H., R.I., Vt.	2,510	2,367	6.0	71,713	67,468	6.3
PACIFIC Alaska, Calif., Hawaii, Ore., Wash.	2,282	2,298	−0.7	82,152	75,462	8.9
WEST CENTRAL Iowa, Kan., Minn., Mo., Neb., N.D., S.D.	2,069	1,956	5.8	78,956	74,356	6.2
MOUNTAIN Colo., Idaho, Mont., Nev., Utah, Wyo.	1,162	1,116	4.1	32,618	29,911	9.1
TOTAL	24,102	23,133	4.2	856,231	808,405	5.9

Source: DSN *research*

The Discount Industry by State

States	Proj. 1986 No. Stores All Discounters	Proj. 1986 No. Full Line Discount Stores Only	Proj. 1986 Sq. Footage All Discounters (add 000)	Proj. 1986 Sq. Footage Full Line Discount Stores Only (add 000)	Density (Square Foot Per Person) All Discounters	Proj. 1986 Total Sales All Discounters* (in Millions)	Proj. 1986 Full Line Discount Store Sales Only* (in Millions)	Total Retail Sales** (in Millions)	Total Discount Sales as % of Total Retail Sales
Alabama	384	186	17,188	13,969	4.22	$2,546	$1,879	$ 18,061	14.1
Alaska	54	5	2,358	376	4.61	771	505	4,356	17.7
Arizona	387	96	11,139	7,210	3.46	1,753	970	18,401	9.5
Arkansas	394	216	18,583	16,222	7.78	2,665	2,182	11,075	24.1
California	1,340	473	51,792	35,522	1.94	7,663	4,777	167,364	4.6
Colorado	400	109	12,306	8,186	3.73	1,999	1,101	21,383	9.3
Connecticut	574	169	18,817	12,692	5.86	2,703	1,707	21,909	12.3
Delaware	261	37	6,101	2,779	9.92	889	374	4,216	21.1
D.C.	113	3	2,334	225	3.82	271	30	3,299	8.2
Florida	941	295	33,002	22,155	2.75	5,117	2,980	73,756	6.9
Georgia	562	191	20,126	14,344	3.44	2,656	1,929	34,100	7.8
Hawaii	74	16	3,524	1,202	3.39	271	162	6,683	4.1
Idaho	185	26	3,759	1,953	3.72	632	263	4,854	13.0
Illinois	855	342	33,916	25,684	2.93	4,961	3,454	63,158	7.9
Indiana	664	282	26,678	21,178	4.83	3,861	2,848	31,849	12.1
Iowa	230	139	13,176	10,439	4.51	1,658	1,404	15,267	10.9
Kansas	254	144	12,672	10,814	4.99	1,788	1,454	14,091	12.7
Kentucky	457	181	17,206	13,593	4.58	2,466	1,828	18,060	13.7
Louisiana	531	176	17,387	13,218	3.91	2,672	1,778	23,774	11.2
Maine	246	50	6,146	3,755	5.21	910	505	7,169	12.7
Maryland	526	135	16,187	10,139	3.71	2,496	1,364	28,863	8.6
Massachusetts	962	269	29,802	20,202	5.08	6,277	2,717	42,139	14.9
Michigan	652	274	26,223	20,577	2.87	3,789	2,767	51,965	7.3
Minnesota	481	143	14,797	10,739	3.56	2,145	1,444	27,241	7.9
Mississippi	329	129	12,122	9,688	4.63	1,770	1,303	11,616	15.2
Missouri	517	213	20,206	15,996	3.99	2,970	2,151	30,763	9.7
Montana	133	21	2,857	1,577	3.39	428	212	4,707	9.1
Nebraska	202	94	8,428	7,059	5.22	1,225	949	8,997	13.6
Nevada	183	29	4,005	2,178	3.99	669	293	7,199	9.3
New Hampshire	225	69	6,715	4,806	6.62	1,021	670	7,635	13.4
New Jersey	851	210	24,621	15,771	3.23	3,649	2,121	48,526	7.5
New Mexico	266	82	8,624	6,158	5.92	1,274	828	8,121	15.7
New York	1,313	428	45,870	32,143	2.58	6,617	4,323	98,807	6.7
North Carolina	537	212	20,865	15,921	3.31	2,940	2,141	34,423	8.5
North Dakota	190	40	4,634	3,004	6.59	698	404	4,250	16.2
Ohio	1,100	506	46,132	37,926	4.23	6,657	5,101	60,784	11.0
Oklahoma	397	135	13,523	10,139	3.96	2,071	1,364	19,434	10.7
Oregon	350	111	11,413	8,336	4.19	1,730	1,121	15,159	11.4
Pennsylvania	934	443	41,747	33,269	3.46	5,837	4,474	64,295	9.1
Rhode Island	260	39	5,601	2,929	5.73	902	394	5,642	16.0
South Carolina	386	132	13,451	9,913	3.99	1,939	1,333	17,004	11.4
South Dakota	195	44	5,043	3,304	7.07	744	444	3,873	19.2
Tennessee	510	204	19,712	15,320	4.08	2,772	2,060	26,650	10.4
Texas	1,332	538	54,138	40,329	3.23	8,415	5,424	99,656	8.4
Utah	155	48	5,141	3,605	3.11	818	485	7,740	10.6
Vermont	243	30	4,632	2,253	8.51	726	303	3,619	20.1
Virginia	647	211	22,278	15,846	3.86	3,293	2,131	33,724	9.8
Washington	464	108	13,065	8,111	2.91	2,270	1,091	24,663	9.2
West Virginia	285	66	7,616	4,957	3.85	1,933	667	9,316	20.7
Wisconsin	465	137	14,023	10,289	2.89	2,045	1,384	24,991	8.2
Wyoming	106	36	4,550	2,854	8.60	564	384	3,614	15.6

*DSN *estimate based on average per store sales projected for calendar year.*

***Total retail sales taken from the 1986 Sales & Marketing Management Survey of Buying Power.*

Source: DSN *research*

The Discount Industry by Metro Market

Top Metro Markets	Proj. 1986 No. Stores All Discounters	Proj. 1986 No. Full Line Discount Stores Only	Proj. 1986 Sq. Footage All Discounters (add 000)	Proj. 1986 Sq. Footage Full Line Discount Stores Only (add 000)	Proj. 1986 Total Sales All Discounters (in Millions)	Proj. 1986 Full Line Discount Store Sales Only (in Millions)	Population*	Density (Sq. Ft. Per Person) All Discounters	No. of Households*	Median Effective Buying Income Per Household*
New York	317	75	9,429	5,633	$1,450.0	$ 758	8,431,800	1.12	3,349,700	$21,815
Los Angeles	319	93	13,237	6,984	2,041.0	939	8,091,400	1.64	2,963,500	25,229
Chicago	392	147	15,289	11,039	2,383.0	1,485	6,127,100	2.50	2,238,000	28,217
Philadelphia	296	116	11,792	8,712	1,758.0	1,172	4,807,800	2.45	1,756,200	25,827
Detroit	278	71	8,639	5,332	1,417.0	717	4,361,000	1.98	1,581,600	27,260
Boston	359	110	12,178	8,261	1,960.0	1,111	3,703,100	3.29	1,373,200	29,692
District of Columbia	279	51	7,104	3,830	1,280.0	515	3,492,500	3.29	1,291,800	35,172
Houston	291	80	8,742	6,008	1,471.0	808	3,211,000	2.72	1,168,800	28,695
Nassau-Suffolk, N.Y.	235	44	7,123	3,304	833.0	444	2,701,000	2.64	873,600	38,289
Atlanta	267	56	6,730	4,206	1,205.0	566	2,460,700	2.73	902,700	27,770
St. Louis	225	72	7,656	5,407	1,215.0	727	2,416,700	3.17	873,700	26,667
Dallas	246	48	9,221	3,605	1,141.0	485	2,296,000	4.02	858,100	28,110
Baltimore	231	48	6,217	3,605	1,046.0	485	2,291,900	2.71	827,900	26,901
Minneapolis-St. Paul	224	44	5,788	3,304	9,385.0	444	2,254,500	2.57	843,600	30,184
Pittsburgh	208	78	7,964	5,858	1,228.0	788	2,189,600	3.65	846,200	23,136
San Diego	142	35	4,559	2,629	2,038.0	354	2,140,900	2.13	786,500	26,155
Anaheim-Santa Ana	134	47	4,953	3,530	853.2	475	2,124,000	2.33	755,000	33,131
Oakland	126	40	3,958	3,004	751.0	404	1,903,200	2.08	736,000	30,473
Riverside-San Bernadino	126	43	4,490	3,229	746.0	434	1,896,400	2.37	685,100	24,138
Newark	175	30	4,592	2,253	784.0	303	1,880,900	2.44	676,900	31,022
Cleveland	202	48	6,036	3,605	1,032.0	485	1,873,400	3.22	715,200	25,249
Tampa-St. Petersburg	181	49	5,969	3,680	1,043.0	495	1,870,000	3.19	786,600	20,814
Phoenix	172	35	4,618	2,629	754.2	354	1,841,100	2.51	719,100	24,214
Miami-Hialeah	206	36	5,318	2,704	1,010.0	364	1,771,600	3.00	665,300	22,152
Seattle	240	58	7,373	4,356	1,418.0	586	1,719,700	4.29	686,200	29,232
Denver	206	34	5,210	2,553	988.0	343	1,635,100	3.19	656,800	28,692
San Francisco	103	24	3,253	1,802	559.0	242	1,566,000	2.08	655,600	30,002
Kansas City, Mo.	129	38	4,384	2,854	724.0	384	1,497,500	2.93	561,300	27,736
Cincinnati	131	49	4,591	3,680	807.0	495	1,405,700	3.27	521,800	24,894
Milwaukee	158	35	4,192	2,629	653.0	354	1,401,000	2.99	527,700	26,847
San Jose	114	37	3,475	2,779	687.0	374	1,393,300	2.49	488,200	35,702
New Orleans	174	34	2,827	2,553	582.0	343	1,348,700	2.10	493,600	21,845
Bergen-Passaic	180	18	3,599	1,352	578.0	182	1,293,400	2.78	476,700	33,231
Columbus, Ohio	136	41	4,448	3,154	646.0	414	1,288,900	3.45	488,800	23,788
Norfolk	147	33	4,103	2,478	619.0	333	1,288,400	3.18	432,100	24,796
Sacramento	94	33	4,282	2,478	658.0	333	1,266,400	3.38	493,200	24,851
San Antonio	133	38	4,401	2,854	730.0	384	1,209,200	3.64	406,400	22,857
Indianapolis	164	46	5,173	3,455	922.0	465	1,208,600	4.28	443,700	25,936
Fort Worth-Arlington	135	36	4,317	2,704	517.0	364	1,175,500	3.67	431,700	27,560
Fort Lauderdale-Hollywood	151	31	3,161	2,328	589.0	313	1,159,100	2.73	492,000	25,015
Portland, Ore.	194	50	5,700	3,755	751.0	505	1,149,300	4.96	450,800	24,760
Hartford	178	54	5,606	4,005	558.0	545	1,075,400	5.21	394,100	31,464
Charlotte-Gastonia-Roch.	143	20	1,803	1,502	232.0	202	1,049,000	1.72	387,600	23,623
Salt Lake City-Ogden	132	29	2,663	2,178	484.0	292	1,044,200	2.55	336,300	24,717
Rochester, N.Y.	111	25	4,209	1,878	432.0	253	1,001,100	4.90	366,100	27,764
Oklahoma City	165	42	4,824	3,154	919.0	424	984,400	4.90	377,700	23,660
Buffalo	113	37	4,311	2,779	695.0	374	982,700	4.39	361,000	23,815
Louisville	133	31	3,875	2,328	675.0	313	971,000	3.99	356,200	23,280
Monmouth-Ocean	98	32	3,916	2,403	468.0	323	946,200	3.34	354,100	29,528
Middlesex-Hunterdon-Sommerville	74	20	2,456	1,502	437.0	202	934,300	2.63	326,500	35,302

*From 1986 Sales & Marketing *Survey of Buying Power*

Source: DSN *research*

Discount Toy Chains Win Bigger Share of U.S. Marketplace

Nationwide DSN Report

Toy specialty chains continue to proliferate, and nine out of the top 10 in sales volume continued to show sales growth.

However, there's no relief in sight from the knock-down, drag-out competition that characterizes the industry. Industry leader TRU, which owns 15% of the domestic toy market, is going overseas, in part to find some relief.

Currently, the chain is operating in three foreign markets; additional stores to be opened this year will bring the tally to 12 in Canada, nine in Great Britain, two in Singapore and one in Hong Kong.

Few other toy retailers, however, can afford to follow in those footsteps.

Still, as a segment, toy specialists in the domestic market continued to command a greater share of sales than any other distribution channel in the industry. The concept of the toy supermarket as the single most important retailing format for toys, has clearly outstripped full line discounters, department stores and all other retail outlets.

Currently helping to soften the impact of a sluggish consumer spending environment and ho-hum toy manufacturer offerings is the expectation that the current baby boom will lead to sales increases.

As children grow into and out of each toy category, the additional children are expected to produce an additional blip in sales for at least several more years, industry sources calculated.

Across all categories, specialty chains, as their discount store counterparts, have elected to take a conservative position in virtually all toy categories and wait for winners to emerge later in the year.

Toy manufacturers like Mattel, Hasbro, Coleco, Tonka and others have created some interesting properties for the current year, but store shelves lack toys with the star quality of Cabbage Patch dolls, Masters of the Universe and Teddy Ruxpin, when those items were fresh and caused excitment.

TRU adhered to that pattern with promotions for its spring program. While giving Lakeside's Wrinkles hand puppet ($29.97) and Matchbox's Need-A-Littles ($22.97) a higher profile, the chain turned most of its efforts to highlight a mix that was as much sporting goods as toys.

Best buys included a Huffy 10-speed bike at $109.97, a Murray two-speed at $119.97, and 29'' skateboards by NDash at $49.94.

At Child World, like TRU, the pricing emphasis was on everyday opportunities rather than sales. Teddy Ruxpin, for example, broke through the $69.99 barrier at Child World and was offered at a $59.89 everyday price point. Pound Puppies and the new Pound Pur-R-Ries were $14.97. The newest Cabbage Patch dolls, the Circus Kids, were listed at $36.99. Large-size Popples dipped under $20 to $19.97, with the smaller size at $9.97. Child World also used a Kenner $3 rebate program to get Centurion action figures down to $7.97 each.

Lionel Kiddie City followed the same strategy as TRU late in the first quarter by emphasizing the less volatile outdoor activity merchandise.

The chain offered four brands of play centers and swing and slide sets on sale for prices ranging from $74.99 for a Turco play center, to a North American swing and slide set at $149.99. Bikes by Huffy, Murray and Kent were offered on sale, with prices beginning at $54.99 for a 20-in. Murray, to a 26-in., 12-speed bike by Huffy for $94.97.

Certainly, with just first quarter results logged—the weakest reporting period in the Christmas-driven toy business—the outcome of the year is still too far away to call.

In the first quarter ended May 4, for example, TRU's sales were off compared to volume a year ago. Sales for the chain totalled $368 million for the quarter generating earnings of just $10.3 million, compared with $12.2 million in earnings for the same quarter last year.

Leading Toy Chains

	Volume (in Millions)		Number of Stores		
Chain (HQ state)	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Toys "R" Us (N.J.)	$1,976	$1,701	199	246	340
Child World (Mass.)	513	436	104	121	136
Kay Bee (Mass.)	401	347	535	584	637
Lionel Leisure (Pa.)	246	225	52	56	68
Greenman Bros. (N.Y.)**	110	48	107	304	364
K&K Toys (Va.)	37	33*	87	96	NA
Karl's Toys (Calif.)	23	18	23	27	30
Toy King/Toys & Gifts Outlets (Fla.)	18	30	58	62	NA
Toys Plus (Mo.)	17	NA	20	25	37
Hobby Center (Ohio)	12	11	26	27	27

*DSN estimate
**Includes Playland, Playworld and Circus World units.
NA—Not available

Source: DSN research

ANNUAL REPORT SPORTING GOODS SPECIALISTS

U.S.-Bound Americans Prove Boon for Sporting Goods Chains

Nationwide DSN Report

Sporting goods specialty stores are expecting to rack up sales gains this summer and fall because more Americans have decided to spend their vacation and leisure dollars closer to home.

The pattern of reduced European travel and increased domestic vacations has been further helped by unheard of low gasoline prices that are already giving a boost to camping, hiking and fishing.

The top 10 discount specialty chains expected to generate sales in excess of $1.5 billion for the current fiscal year. The projection is based on the expectation that lifestyle changes favoring physical fitness, combined with domestic vacations and good weather will drive shoppers into their stores.

Herman's, the largest discount specialty chain in sporting goods, had sales of $420 million during its most recently completed fiscal year. The sales represented a 14% increase over the previous year. Same store sales were up 6.7% and net income was up 20%.

Industry analysts credited Herman's success to "favorable demographics and heightened interest in leisure time and physical fitness activities."

As part of the W.R. Grace organization, the sporting goods chain focused on broad, deep assortments in sporting goods, sports apparel and athletic shoes.

In pricing, the chain tended to be lower than local independent stores and slightly higher than larger discounters. Under W.R. Grace, the stores maintained a pricing strategy of "meet or beat" that was heavily promoted through print advertising.

Under ownership by The Dee Corporation, a change that took effect April 14 of this calendar year, a spokesman for the sporting goods chain said no changes in merchandise assortment or pricing strategy were planned. "Herman's is still Herman's," the spokesman added.

Results for the first quarter that ended on March 30 posted a net income increase to $1.7 million, a 3% gain over a strong first quarter last year. Sales were up 15%, to $94.4 million.

Oshman's, the second largest discount sporting goods chain in the country, recorded a 2.6% increase in sales for fiscal 1985, with $312,261, but suffered through a decline in the rate of earnings from $10,069 the previous year to last year's $8,536.

The chain's disappointing results were attributed to adverse economic conditions throughout the Sunbelt, especially in Texas, where Oshman's has 66 of its 184 stores.

Addressing the downturn in the Texas economy, Oshman's reported: "Fortunately, we enjoy major market share positions in Florida, Georgia and California, where we anticipate increased sales. However, the Texas environment will certainly limit our overall sales improvement."

The Academy chain, also based in Texas, generated estimated sales of $36 million from its approximately 20 stores. Big oil problems notwithstanding, the chain has high expectations for the current summer season and upcoming fall that seem consistent with those of other major discount sporting goods specialists.

The chain forecasted a strong year based on early sales indications. The highly cyclical camping business is on the upswing, with Academy stores enjoying stronger sales in the category than they have seen in five years. The chain has also expanded its position in outdoor games and tennis products and achieved solid sales results.

Oshman's promotions early in the second quarter focused on an outdoor game but clearly targeted customers with incomes in the middle to upper income levels.

For example, a Wilson/Ken Venturi pro golf set regularly priced at over $1,000 was on sale at $399.99, and Endicott Johnson golf shoes sold everyday at $75 were on sale for $49.99. Oshman's also offered shoppers a $265 saving on another set of Wilson clubs, offering them at $249.

At Big 5, based in California, the emphasis was shifted to camping, fishing, hunting and exercise equipment. A Golden Bear roof tent was offered at a $30 savings for $99.99. An El Capitan sleeping bag by Golden Bear was reduced $5 to $22.99, and a Daiwa rod and reel combination was on sale for $39.99, a $40 saving.

Meanwhile, at Utah-based Sunset Sport Centers, the chain was offering consumers less spectacular savings on tennis rackets, golf clubs, foot wear and sporting accessories. An 11-piece, Browning golf set regularly priced at $299.99 was on sale for $229.99; a Donnay graphite tennis racket frame regularly priced at $59.99 was on sale for $49.99 and a pair of mens' Nike, leather golf shoes were reduced from $52.95 to $44.99.

Leading Sporting Goods Chains

	Volume (in Millions)		Number of Stores		
Chain (HQ state)	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Herman's (N.J.)	$420	$368	115	131	131
Oshman's (Tex.)	312	304	184	209	215
Big 5 (Calif.)	175*	165*	70	89	89
Sportmart (Ill.)	129*	123*	11	12	12
Sunset Sports (Utah)	116*	110*	36	40	40
Dave Cook (Colo.)	62*	56	17	17	17
Gart Bros. (Colo.)	54*	49	13	14	14
Michigan Sporting Goods (Mich.)	42*	38	16	16	18
Academy (Tex.)	37*	35	17	20	20
Irving Sports (Va.)	17*	16	17	18	18

*DSN estimate

Source: DSN research

ANNUAL REPORT **CE SPECIALISTS**

CE Chains Face Tougher Year as Consumer Spending Eases

Nationwide DSN Report

Most of the consumer electronic discount chains emerged from the last fiscal year with enviable sales and earnings, but 1986's tougher market conditions are testing their ability to repeat last year's successes.

The nine chains who made it to the top 10 sales ranking for the last two fiscal years averaged 35% increases last year.

The star performer was The Federated Group whose $230 million in sales reflected a 58% increase. Circuit City, still burdened with Lafayette stores in New York City and Zody's lease agreements in California, still managed a hefty 36% increase in sales to $705 million. And both Highland and Silo scored sales gains in excess of 40%.

But the new fiscal year has shown consumer spending to be sluggish, the dollar still losing strength against the Japanese yen and the competition being tougher.

With top specialty chains already laying claim to shares of most top national markets, competitors must decide between conceding markets by cutting back on their own expansion, or creating a confrontation with a chain that often has the same buying muscle, merchandising expertise and operational strengths.

Montgomery Securities, which recently sponsored a forum on CE specialists, also focused on the problems caused by a projected slowdown in the rate of VCR sales, a category that represents about 25% or more of the sales of key players; a slight decrease in consumer demand for key products like color televisions and audio items and also changes in currency exchange rates that have increased the yen's value by 40% since the past year against the U. S. dollar.

Rather than let these unfavorable market conditions inhibit chain growth, the major CE specialists have decided to reduce margins and use more promotions.

The strategy seems to be deeply rooted in the belief that the consumers' love affair with video and audio can be rekindled with more promotions. By mid-summer, some retailers expect to see improved sales beginning to generating some momentum for the fourth quarter.

The products that will generate the momentum are the workhorses of the industry: color televisions with features, higher priced VCRs with basic features like wireless remote, CD players and audio accessories.

Prior to the summer Consumer Electronics Show, Federated president Keith Powell blamed industry-wide lackluster sales on the lack of promotion. Starting late in May, Powell took his own promotion advice.

A three-page print ad announced a "value-spectacular" for a one-day sale on televisions, rack stereo systems, VCRs, camcorders, typewriters, car stereos, personal stereos, microwaves, lifestyle furniture and accessories.

Federated's prices included a $1,000 saving on a 40-in. color television with remote control and stereo offered at $2,100; 50% savings on Fisher 3-way 10-in. speakers offered for $49.97 each, and a Sony credit card sized Walkman for $33.33.

But clearly, the chain is going after more than just a quick fix in lagging sales. The chain is also emphasizing quality, selection, service and servicing after the sale.

At about the same time, Silo had decided to punch up its sales results with a promotion that highlighted its audio selection. Video products were offered—a Zenith 19-in. stereo with remote control was offered at $399 and a 40-in. Mitsubishi set with wireless remote and stereo was listed at $2,499—but Silo's emphasis was on CD players, boom boxes, tape decks, personal stereos and microwave ovens.

At Highland, a recent promotion focused on audio. The exception was a 26-in. Sanyo color TV with stereo, wireless remote, and dual cassette deck—for $1,995, rather than its regular price of $2,495.

Highland concentrated on audio cassette players, car stereos, a CD player with changer by Pioneer for $410, a Kenwood rack stereo for $598 and a Pioneer linear tracking turntable for $94.

Leading Consumer Electronics Chains

Chain (HQ state)	Volume (in Millions)		Number of Stores		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Circuit City (Va.)	$705	$519	93	70	90
Highland (Mich.)	520	359	32	40	46
Silo (Pa.)	472	330	97	111	120
The Federated Group (Calif.)	364	230	43	59	67
Crazy Eddie (N.Y.)	262	136[A]	14	23	30
Fretter (Mich.)	214*	160*	29	39	51
Pacific Stereo (Calif.)	200[B]	215	85	64	NA
Audio-Video Affiliates (Ohio)	182	119	45	78	100
Newmark & Lewis (N.Y.)	142	112	25	34	40
Luskin's (Md.)	110	90	29	40	53

*DSN *estimate*
NA—Not available
[A] *For nine-month fiscal year ended 3/85.*
[B] *Operating under Chapter 11.*

Source: DSN *research*

ANNUAL REPORT **CATALOG SHOWROOMS**

Regionals Launch New Attack on Catalog Showroom Giants

Nationwide DSN Report

Service Merchandise's and Best Products' dominant position within the catalog showroom industry may be weakening as regional chains step up their growth and expansion.

Together, Service and Best—each a $2 billion plus chain—accounted for about 64% of the catalog showroom industry's approximately $7 billion volume last year, up from about 56% in the previous year.

Any weakening in their dominant stance would reflect a combination of operational problems troubling each company along with a number of major changes impacting the catalog showroom business. The latter factors include the demise of one major chain, Ardan; a Chapter 11 filing by Boardman's; a sharp cut back in the bi-coastal operation of Consumer Distributing (U.S.) to just the Northeast; a marked slowing down in the industry's total showroom growth, and static overall sales gains.

The changes underway mean that this year about three dozen regional chains are expected to grow more rapidly than the Big Two and play a more important role in the catalog showroom business, capturing a larger share.

At the same time, the industry's contraction in companies, particularly among small, mom-and-pop, one-market, one- and two-showroom operations, is expected to continue.

On the coordinator side, a similar contraction is underway, as Creative Merchandising phased out its operation, while Charter Catalog and George Associates combined into Associated Charter. Trade observers expect additional coordinator mergers until only three or four groups are left.

While the new industry profile that is taking shape still has Service and Best as the dominant players, a host of regional chains like Brendle's, W. Bell, United Jewelers, L. Luria & Son, K's Merchandise, E. H. Tepe, Dahlkempers and Present Co. are coming to the forefront as the faster growing chains.

The slower growth at Service and Best is due to different, specific problems at each chain.

Service's troubles include the drain on profits caused by the cataloger's thrust into the warehouse home center industry through its unprofitable Mr. HOW division. Company executives contend that Mr. HOW will be turned around, while trade sources report the operation is available. Service recently sold six Mr. HOWs and halted all expansion.

Additionally, Service is faced with the need to complete a number of moves recently made within its core showroom operation. These include fully integrating last year's acquisitions of H. J. Wilson and Ellman's, the fine-tuning of its new automated replenishment system and inaugurating its semi-automated Northeast regional distribution center that will serve as a prototype.

One immediate effect of Service's problems is a slowing down of the cataloger's normal expansion of 20 to 25 showrooms to about half that number, with units spotted in markets where the company currently has stores.

At Best, the major challenge is the extensive refurbishing of about half of the chain's 212 showrooms to halt a loss of market share. This $100 million, three-year endeavor launched last year has resulted in the cataloger calling off all expansion plans for this year.

While the Big Two are looking inwardly, a number of regional catalogers are marching off in different directions.

Brendle's, for example, has gone public to raise funds for expansion and some privately held catalogers are reportedly considering similar moves. Present last year issued more stock and used the funds to open more showrooms.

Luria has updated its merchandise information system as its prepares its operations for its first thrust outside of Florida.

Beyond these expansion activities, many regional chains have tailored their merchandising and marketing programs to focus on specific, traditionally profitable categories like jewelry and giftware. This move also helps to differentiate their operation from larger competitors like discount stores that tend to offer broader merchandise mixes.

Leading Catalog Showroom Chains

Chain (HQ state)	Volume (in Millions)		Number of Showrooms		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Service Merchandise (Tenn.)	$2,247*†	$1,607*†	182	287	302
Best Products (Va.)	2,192†	2,218†	204	213	212
Consumers Distributing (U.S.) (N.J.)	312[A]	261	87	89	90
Brendle's (N.C.)	184[B]	146	22	31	35
W. Bell (Md.)	145*[C]	148	19	21	23
United Jewelers (Tex.)	135[D]	139	57	58	61
Jewelcor (Pa.)	124†	128†	22	22	22
K's Merchandise (Ill.)	110*	105*	8	9	10
McDade (Ill.)	110*	110*	7	7	8
L. Luria & Son (Fla.)	109[E]	101	35	37	40

*DSN *estimate*
† *Catalog showroom division sales only.*
[A] *in Canadian dollars.*
[B] *includes Alexander's Wholesale acquired 10/85.*
[C] *For fiscal year ended 6/86.*
[D] *For fiscal year ended 8/85.*
[E] *For seven-month fiscal year ended 2/86.*

Source: DSN *research*

Price Club, San Diego, creator of the membership warehouse format, leads the segment with sales of $1.8 billion and a 24-unit base.

Membership Warehouse Clubs to Break $8B Sales Mark

Nationwide DSN Report

The membership warehouse industry is set for yet another year of explosive growth, fueled by a combination of new store openings and a growing number of maturing units opened during the past two years.

The industry's volume is expected to hit $8 billion this year up from about $2 billion a scant 18 months ago. The segment's volume is expect to grow to $20 billion by 1990.

The big jump in sales reflects more than just the physical growth of the industry. It also reflects a growing acceptance of membership warehouses by small businesses, the industry's target market.

Wholesale purchases by businesses now account for 50% to 75% of the sales at various membership warehouses and for about $5 billion of the industry's total volume; the remainder coming from individual consumers, so-called group members.

The impressive growth last year of such chains as Sam's Wholesale Club, Costco, PACE, BJ's Wholesale Club and Super Saver has resulted from the industry overall unveiling about 75 new stores and the maturing of a another 75 units opened in the previous two years.

This growth has also put at least one chain, Sam's Wholesale Club, in a position to ring up $1 billion in sales this year and to possibly challenge the $1.8 billion Price Club for the industry's top volume spot by 1987. At least two other chains, Costco and PACE, will likely become $1 billion chains by 1987.

The rapid expansion of these membership warehouses has intensified the head-to-head competition among at least two (and possibly a third) chains in a growing number of major metro markets. The list includes:

New York (Price and BJ's), Chicago (BJ's and The Warehouse Club), Baltimore (Price and PACE), Detroit (The Warehouse Club and PACE), Tampa-St. Petersburg (PACE and Costco), Cincinnati (Makro and Sam's Wholesale Club), Denver (PACE and Buyer's Club), Pittsburg (PACE and The Warehouse Club), Seattle (Costco and Price Saver), San Antonio (Sam's Wholesale Club and Value Club), Milwaukee (Costco and The Wholesale Club), Fort Lauderdale (Costco and Wholesale Plus) and Oklahoma City (Sam's Wolesale Club and Super Value).

It has also prompted a host of warehouse operators to step up openings in smaller cities like Bakersfield, Calif. (Costco), Little Rock, Ark. (Sam's Wholesale Club and Super Saver), Charleston, W. Va. (Super Saver), Louisville, Ky. (PACE, Sam's Wholesale Club and Super Saver), Boise, Idaho (Club Wholesale), Ogden, Utah (Price Savers), and Greensboro, N.C. (PACE and Members Wholesale).

This diversified growth isn't limited to just the Top 10 membership warehouses.

Even smaller operators like the Buyer's Club and Members Warehouse are either squaring off against the major chains or else rapidly moving into smaller cities to preempt the larger companies from locking up a market.

New companies have also entered the industry, although the rate of invasion is down sharply from the past. This year, so far, Saveco unveiled its first unit in Riverside, Calif., while American Wholesale debuted in Dallas.

The sky high volume generated by a mature warehouse club unit explains the big jump in volume reported by many companies last year.

Fully mature stores churn out $50 million plus in sales, with some Price Club and Sam's Wholesale Club units generating over $100 million.

The Price Club's sales jumped 60.7% to $1.8 billion as it unveiled five stores on a base of 19. But that impressive growth pales beside the increases recorded by other membership warehouses.

Sam's Wholesale Club tripled volume to $777 million as it grew from 11 stores to 23, while Costco more than doubled its sales to $309 million when it added nine units to its first dozen stores.

Leading Membership Warehouse Clubs

Chain (HQ state)	Volume (in Millions)		Number of Stores		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Price Club (Calif.)	$1,834[A]	$1,141	19	24	34
Sam's Wholesale Club (Ark.)	777	222	11	23	41
Costco (Wash.)	309[B]	144	12	21	31
Makro (Ohio)	300*	250*	4	4	4
PACE (Colo.)	275	76	6	16	25
BJ's Wholesale Club (Mass.)	215*	40*	3	8	16
Price Savers (Utah)	175*	140*	4	5	10
Value Club (Texas)	125*	95*	5	6	6
Warehouse Club (Ill.)	89[B]	26	5	7	12
Super Saver (La.)	80*	NA	2	9	21

*DSN estimate
NA—Not available
[A] For fiscal year ended 8/85.
[B] For fiscal year ended 9/85.

Source: DSN research

Membership Warehouse Clubs: $8 Billion*

Food/Groceries: ***$2.5B***

Sundries: ***$2B***
(includes H & BA, tobacco, cleaning supplies)

Hard Lines: ***$2.3B***
(includes CE, office supplies, tools, automotives)

Soft Lines: ***$1.0B***
(includes clothing, domestics, jewelry)

Miscellaneous: ***$0.2B***
(includes seasonal goods, books)

*Includes wholesale sales.

Source: DSN research

OFF-PRICERS **ANNUAL REPORT**

Two Top Chains Dominate Competitive Off-Price Market

Nationwide DSN Report

The apparel off-pricers listed here, for the most part, represent the survivors.

The industry shakeout is just about over, leaving quite a few chains well positioned in a very competitive marketplace.

The top two chains, Marshalls and T. J. Maxx, are both sporting new prototypes with improved presentations to make it easier for shoppers to find what they want.

Marshalls' latest look first showed up in two Massachusetts stores in April of this year. The chain uses walls to set apart misses fashions from juniors, for example.

Marshalls' executives pointed to the increased number of women who work and shop in a hurry more these days than in the past, as the reason for redesigning the store.

T. J. Maxx unveiled its latest look last year with some 60 units operating with free-standing walls in ladies' wear and in some markets a special designer deparment with better brands of ladies' wear.

For the younger consumer, Ross Stores, which also sells apparel for the whole family, continued rapid expansion is still the key to continued growth. Ross landed on the East Coast last year in Florida and Georgia and is scheduled to move into the Baltimore/Washington area next month as the chain adds some 45 stores in the current year.

Although the four-year old Ross Stores charted a 79% sales gain last year moving it up to the No. 3 spot, the chain's earnings only gained 6%. According to chain president Don Rowlett, that will improve as more of the chain's stores mature. At the start of this year 40% of the stores had been operating for less than a full year.

Most other off-pricers on the top ten list are on a slower growth rate than Ross.

Expansion at Burlington Coat will see the chain move into Utah and Akron, Ohio, as it opens at least 10 more stores during the upcoming year.

Designer Depot, K mart's off-price apparel division, is still being adjusted. The average store size has been expanded from 16,000 sq. ft. to 22,000 sq. ft. as the chain hones its family apparel format. That company is currently setting up its own buying offices in New York, after a break with Fashion House buying services.

Sym's, which carries family apparel, but gets the bulk of its volume from men's wear, is expanding its store count as well as its appeal by strengthening its positioning in ladies' and children's wear. Newer commercials focus on children's wear, which was less than 4% of its volume just two years ago.

The chain has been shopping for sites in new East Coast markets with plans to open four new stores this year.

Sizes Unlimited, the off-pricer geared to large-size women, last year absorbed the former Pic-A-Dilly stores and closed some stores as it sharpened its coast-to-coast operations.

A closer look at the large-size market revealed several other large-size off-pricers including The Answer, P.S. Plus Sizes and Extra Special/Modern Woman. The 37-unit The Answer is expected to become a national chain with 100 stores by the end of 1988.

Extra Special, which is headquartered on the West Coast, is slated to open on the East Coast this year under the Modern Woman label. That 20-unit chain has scheduled 25 new stores a year with 100 units by 1990.

Leading Off-Price Apparel Chains

Chain (HQ state)	Volume (in Millions)		Number of Stores		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Marshalls (Mass.)	$1,324	$1,190	209	236	266
T. J. Maxx (Mass.)	850*	636*	156	191	284
Ross Stores (Calif.)	376	211	66	107	153
Burlington Coat (N.J.)	352**	310	68	74	80
Loehmann's (N.Y.)	323*	308*	72	81	94
Hit or Miss (Mass.)	300*	291*	401	428	468
Sizes Unlimited (N.J.)	254*	281*	349	255	255
Sym's (N.J.)	215	204	14	15	19
Filene's Basement (Mass.)	213	189	15	17	23
Designer Depot (Mich.)	156*	131*	52	73	93

*DSN *estimate*

***For fiscal year ended Oct. 31, 1985.*

Source: DSN *research*

AUTOMOTIVE SPECIALISTS **ANNUAL REPORT**

Automotive Chains Drive Toward Bigger Store Base in 1986

Nationwide DSN Report

While strong new car sales may have stalled replacement parts sales, it has not driven the nation's top automotive specialty discounters off the expansion trail.

While there is a wide variety of differences in the operational strategies of how these chains go to market—from the convenience orientation of Chief Auto (owned and operated by convenience store 7 11's parent Southland Corp.) to The Pep Boys full assortment/auto service capabilities—the segment's leaders are committed to unit growth.

Western Auto, recently bought by New Jersey-based Wesray Corp., strengthened its position this year as the largest auto discount chain by purchasing White Store's shuttered company-owned locations from White's parent, Canadian Tire.

Western paid Canadian Tire $24.5 million for 40 of White Store's locations and three distribution centers.

An additional 18 stores, in which Canadian Tire had only a partial interest, were also purchased by Western Auto, for an additional $7.5 million. Most of the White Stores were in the South and Southwest.

In addition, Western's wholesale division will benefit from the business of most of the White franchisees, who have steadily been signing on with them since the takeover.

Western executives said they will sell the former White distribution centers and any of the stores which are located too close to existing Western Auto outlets.

Before the acquisition, Western Auto had 250 company-owned stores and approximately 2,000 dealers in 48 states and the District of Columbia. Sales for the privately-held chain's most recently completed fiscal year totaled $725 million, according to *DSN* estimates.

Sixth-ranked Grand Auto, of Oakland, Calif., is also growing by acquisitions.

The 100-plus unit chain recently purchased the Kent, Wash.-based Automotive Wholesalers Inc., which owned and operated 28 Top Auto stores in that Pacific Northwest state and Alaska. The buyout expanded Grand's trading area from its two-state base of California and Nevada.

Since the takeover, Grand Auto has already begun to open new stores under the Top nameplate. The first of these new stores opened in January in Tacoma, Wash.

Other operators, like East Coast-based The Pep Boys, are growing through new store openings.

The chain's current game plan calls for 27 new units to open by the end of the year, which will bring its total store count to 186 by the end of January, 1987, the close of its current fiscal year.

The chain has been on a steady expansion and renovation drive for the past several years.

For the fiscal year just ended, The Pep Boys spent $62 million to renovate established stores and open 34 new units. The chain ended the fiscal year in Feb., 1986, with 159 units. In the previous year, ended Feb., 1985, $37 million was spent on capital expenditures .

Texas-based Chief Auto Parts, which operates in nine Southwestern states, is planning to open an additional 30 stores during this year. Those openings will bring the chain's store base to 347 units at the close of its current fiscal year.

Those openings follow a year of considerable growth. Last year, the chain opened or acquired 159 stores, while closing 52 units.

Pontiac, Mich.-based Perry Auto Works, a division of Perry Drug Stores Inc., is projecting to add 66 new stores by the end of the current fiscal year, ending Oct. 31, 1986. Those openings will increase the chain's store count to 176 stores.

In addition, Perry Auto is working to hoist the Auto Works nameplate over the doors of stores acquired over the last several years. Recent acquisitions include the Fleenor's stores acquired in 1983 and the Corvairs stores purchased in 1984.

OTASCO, based in Tulsa, Okla., and operating 579 stores in the Southeast, Southwest and Midwest, is expected to keep expanding during the current fiscal year. Last year, OTASCO grew by 29 stores.

Nationwise intends to open 20 stores this year, increasing their total to 180. The Columbus, Ohio-based chain operates in the Midwest and Southeast.

Growth in units, however, is not the only sort of expansion under way at discount automotive chains.

Assortments are also being expanded at many chains, including moves by Kragen and Checker to increase the number of offerings for experienced mechanics. .

Remodeled Checker stores now carry more than 8,000 items, compared with the 3,500 items available at Checker stores previously.

Grand has also started a special section for light truck and four wheel drive vehicle accessories, similar to the sections the chain used for the custom vans in vogue during the late 1960s and early 1970s.

Many chains expect continued success with light truck accessories, including running boards and tool boxes.

Chains that perform repair work are are expanding their services to include four wheel drive vehicles.

Chief, for example, recently obtained wheel alignment equipment for four wheel drives.

Leading Automotive Chains

Chain (HQ state)	Volume (in Millions)		Number of Stores		
	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Western Auto (Mo.)	$725*[A][B]	$698	2,269	2,269	2,269
Pep Boys (Pa.)	389	348	135	159	186
OTASCO (Okla.)	288*[A]	300*	550	579	579
Lucky Auto Div. (Ariz.)	280*	275*	459	376	380
Chief Auto Parts (Tex.)	203*	169*	337	444	475
Nationwise (Ohio)	190*	150*	140	160	180
Grand Auto (Calif.)	168	154	86	113	113
Perry Auto Works (Mich.)	127	81	110	176	176
Whitlock (N.Y.)	105*	100	61	61	61
Trak Auto (Md.)	98[C]	74	93	114	114

*DSN *estimate*

[A] *Includes sales from company-owned stores and wholesale sales to franchisers.*

[B] *Company now privately held.*

[C] *Includes wholly-owned company stores only.*

Source: DSN *research*

Chain Profiles

$1B Chains Tighten Grip on Discount Industry

Top 25 Discounters: '86 vs. '85

1986			1985		
Rank	**Chain**	**Sales in Millions**	**Rank**	**Chain**	**Sales in Millions**
1	K mart	$20,775	1	K mart	$21,040
2	Wal-Mart	7,674	2	Wal-Mart	6,268
3	Target	3,932	3	Target	3,550
4	Zayre	2,638	4	Best Products	2,218
5	Service Merchandise	2,247	5	Zayre	2,196
6	Best Products	2,192	6	T.G. & Y.	2,020
7	Toys "R" Us	1,976	7	Toys "R" Us	1,701
8	Price Club	1,834	8	Service Merchandise	1,607
9	Bradlees	1,620	9	Bradlees	1,404
10	Ames	1,513	10	Caldor	1,257
11	Caldor	1,338	11	Gemco	1,247
12	Marshalls	1,324	12	Marshalls	1,190
13	Hills	1,320	13	Hills	1,170
14	Gemco	1,287	14	Price Club	1,164
15	Gold Circle	1,058	15	Meijer	960
16	Roses	1,009	16	Roses	927
17	Venture	1,004	17	Pay Less	1,083
18	Fred Meyer	1,004	18	Venture	915
19	Pay Less	1,003	19	Fred Meyer	860
20	Meijer	1,000	20	Ames	822
21	T. J. Maxx	850	21	Western Auto	698
22	Sam's Wholesale Club	777	22	T. J. Maxx	636
23	ShopKo	754	23	Murphy's Mart	634
24	Western Auto	725	24	Gold Circle	628
25	Circuit City	705	25	ShopKo	610

Source: DSN *research*

Nationwide DSN Report

Among the market trends revealed by this year's annual census on the discount store industry, is the growing presence of the billion dollar chain.

This year, six more chains entered the ranks of the 10 figure operation bringing the number of billion dollar club members to 20. Three years ago, there were only nine members in the club; since then, one chain, T. G. & Y., has gone out of business.

The latest arrivals are Ames, Roses, Venture and Pay Less; Fred Meyer and Meijer Thrifty Acres also joined the list, on the strength of their general merchandise sales only.

Most of these operations crossed the billion dollar mark under the full sail of same store productivity gains and new store openings. Ames, however, landed in the company of the largest chains—and grabbed tenth place on the top 100 discounters list—with its 1985 takeover of the G.C. Murphy company.

That moved nearly doubled the Conn.-based chain's volume from $822 million in fiscal 1985 to $1.5 billion for the year just ended.

The emergence of the latest generation of billion dollar chains and the disappearance of T. G. & Y., Murphy's Mart, Jefferson Ward, Zodys and Richway (following its consolidation with its sister, Federated-run division Gold Circle) from the top half of the top 100 list further churned this year's rankings.

The discount department store divisions of K mart, Wal-Mart and Target held on firmly to their first, second and third place spots respectively. But last year's fourth ranked chain, cataloger Best Products, dropped into sixth place following a hard year and a sales slump that depressed revenues from $2.3 billion a year ago to $2.2 billion for the year just ended.

That drop gave Zayre the room to move into fourth place with a 17% jump in sales, to $2.64 billion.

It also gave Service Merchandise the chance to pull into fifth place—and ahead of its arch-rival Best Products, for the first time.

Another meaningful advance: Price Club's climb from 14th place to eighth, on the strength of a 57% increase in sales. A jump, fueled in part, by nearly 10 new unit openings.

Overall, the emergence of the membership warehouse clubs as a powerful industry segment has already had a significant impact on the top 100 list, even though many of the operations are only a year or two old.

Last year, in addition to Price Club, only three other warehouse club operators, Wal-Mart's Sam's Wholesale Club, Ohio-based Makro and Seattle-based Costco, made it onto the list.

This year's list shows the impact the high volume membership warehouse club operations are having on the market.

Six Chains Join Billion Dollar Club

Six chains have joined the ranks of the billion dollar discounters: Ames, Roses, Venture, and Pay Less are among the newcomers. Also included are Fred Meyer and Meijer's Thrifty Acres, based solely on the strength of thier general merchandise sales. Together, the 20 chains in the billion dollar club generate nearly two thirds of the discount department store industry's annual volume. They also account for 44% of total discountland sales.

1986*

Rank	Chain	Sales (in Millions)
1	K mart	$20,775
2	Wal-Mart	7,674
3	Target	3,932
4	Zayre	2,638
5	Service Merchandise	2,247
6	Best Products	2,192
7	Toys "R" Us	1,976
8	Price Club	1,834
9	Bradlees	1,620
10	Ames	1,513
11	Caldor	1,338
12	Marshalls	1,324
13	Hills	1,320
14	Gemco	1,287
15	Gold Circle	1,058
16	Roses	1,009
17	Venture	1,004
18	Fred Meyer	1,004
19	Pay Less	1,003
20	Meijer	1,000

*Most recently completed fiscal year

1985

Rank	Chain	Sales (in Millions)
1	K mart	$21,040
2	Wal-Mart	6,268
3	Target	3,550
4	Best Products	2,218
5	Zayre	2,196
6	T.G. & Y.	2,020
7	Toys "R" Us	1,701
8	Service Merchandise	1,607
9	Bradlees	1,404
10	Caldor	1,257
11	Gemco	1,247
12	Marshalls	1,190
13	Hills	1,170
14	Price Club	1,141

1983

Rank	Chain	Sales (in Millions)
1	K mart	$18,746
2	Wal-Mart	4,325
3	Target	2,774
4	Gemco/ Memco	2,325
5	T.G. & Y.	1,786
6	Zayre	1,778
7	Hills	1,074
8	Caldor	1,064
9	Bradlees	1,003

1980

Rank	Chain	Sales (in Millions)
1	K mart	$12,822
2	Woolco	2,855
3	T.G. & Y.	1,487
4	Zayre	1,327
5	Wal-Mart	1,200
6	Gibson	1,180
7	Target	1,100

Source: DSN *research*

K mart Focuses on New Technology to Boost Store Same Sales

I

TROY, Mich. — Following several years of merchandise and store presentation upgrading, K mart is now focusing on improving sales productivity through advanced technology store data collection and merchandise distribution systems.

Front end scanning and satellite relayed store-to-headquarters communication systems head the list of technological advances being implemented at the nation's largest discount chain.

Also playing key roles in the chain's 1986 plans are stepped-up lifestyle promotions, including the launch of a new K mart magazine, *American Lifestyles*, and a decision to bring the merchandising expertise of other K mart divisions to bear on discount store operations. The latter move includes the chain's recent decision to move responsibility for the merchandising of K mart's book departments under the umbrella of the corporation's Waldenbooks book store division.

Strong First Quarter

These moves are calculated to extend the success of the company's strong first quarter 1986 sales results. The company registered a 56.6% earnings increase for the period over last year on a more modest 4.6% increase in sales.

In June, K mart reported sales were up 3.5% for the four weeks ended May 28, and said comparable store sales for the first 17 weeks rose by 2.8%.

Those quarterly results stand in sharp contrast to the company's last fiscal year results: K mart's 2,180 U.S. and Canadian discount stores produced sales of $20,775 billion in fiscal 1985, compared to $21,040 billion produced by 2,173 stores the previous year.

In operating income, the chain's discount stores generated $1.058 billion in fiscal '85, compared to $1.101 billion the previous year.

Chairman Bernard M. Fauber said, "The pace of sales in May picked up modestly from that of the first quarter despite somewhat unfavorable weather throughout much of the period." The chairman saw the May results as proof that, "Consumers are receptive to new merchandising programs and continue to be very value conscious."

Fauber said many wage earners suffered real declines in spending power in the early '80's, creating a greater sensitivity to price and value as a means of maintaining the same standard of living.

"At K mart we responded to this new consumer need by strengthening our low price image while aggressively improving the quality of our merchandise. The result has been a significant rise in our value image with consumers and a larger purchase by each customer," said Fauber.

K mart is continuing on the same path in its apparel programs, but is concentrating on rolling out those upgraded presentations in both national and house brands. The stated goal is to achieve a broader, better assortment in apparel to improve the overall performance in soft lines.

By the fall, the chain's own Jaclyn Smith ladies' wear line is scheduled to be in all stores. And starting last spring, the chain began a 500-store experiment with girls' half sizes.

The Kitchen Korners concept in housewares is now in 90% of all stores. The program is credited with solid improvements in small appliances, kitchen appliances and gadgets. In consumer electronics, televisions, typewriters, telephones and calculators have been top performers.

Bernard M. Fauber
Chairman, K mart

K mart	Fiscal Year Ended 1/29/86	1/30/85
Sales	$20,775,000,000	$21,040,000,000
Operating Income	1,058,000,000	1,101,000,000
Stores	2,180 (1/86)	2,173 (1/85)

Source: DSN *research*

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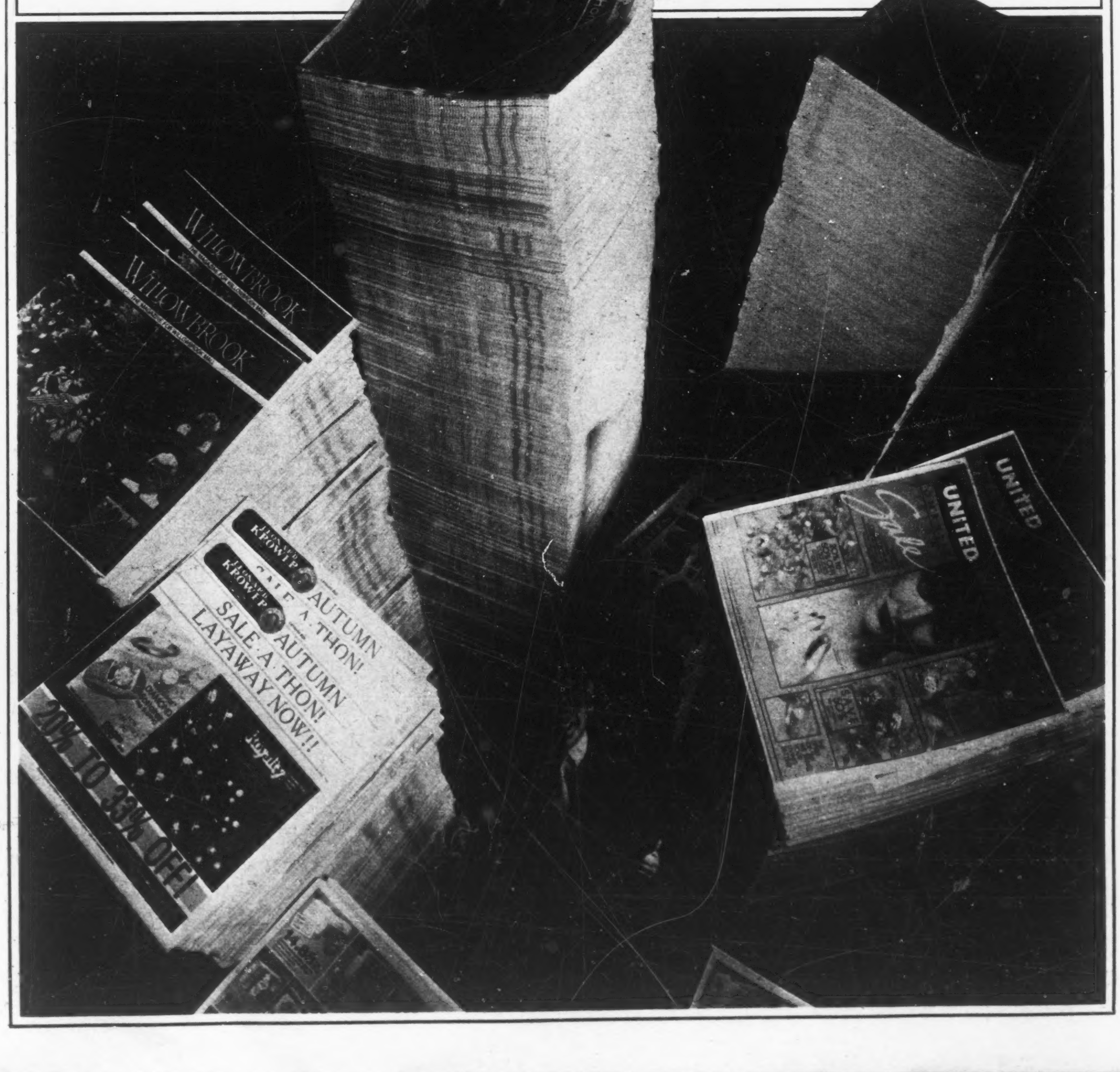
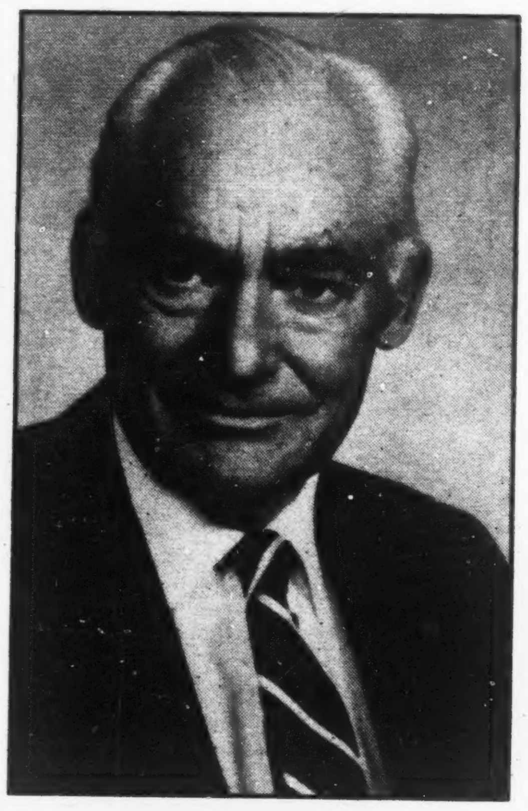


Wal-Mart Stays on Expansion Track: 115 New Stores in '86

WAL-MART
DISCOUNT CITY

Wal-Mart	Fiscal Year Ended 1/31/86	 1/31/85
Sales	$7,674,000,000	$6,268,000,000
Net Earnings	327,500,000	270,800,000
Stores	859 (1/86)	745 (1/85)

Source: DSN research



Sam Walton
Chairman, Wal-Mart

2 BENTONVILLE, Ark. — Wal-Mart plans to open discount stores and warehouse clubs at a blistering pace again this year in a quest to push sales to $11 billion in fiscal 1986.

Sales for the most recent quarter climbed to $2.34 billion, a 42% increase from $1.66 billion during the weak first quarter of a year ago.

Chairman Sam Walton, meanwhile, is making headlines with his popular "Buy American" program, his massive personal fortune, a down-home style and legendary business acumen.

The chain expects to start 115 Wal-Mart stores during calendar year 1986, bringing the chain's total to 974 and duplicating last year's barrage of openings. An additional 45 existing Wal-Mart stores are slated for expansion or relocation this year.

Sam's Wholesale Club, the fastest growing and second largest membership warehouse club operation in the fledgling industry, is expected to grow by about 18 stores this year, on a base of 23 stores. The chain debuted in 1983 with three stores.

The company also opened a fourth dot deep discount drug store in the Kansas City market in May as the concept moved out of the experimental stage to become a full-fledged division. The first dot opened in 1983.

As many as eight additional dots are planned for the New Orleans, Dallas, Des Moines, St. Louis and Austin, Tex. markets. Many of those stores could open this year.

The chain is expected to experiment with locations by placing dot stores next to a Sam's, possibly in the Kansas City and St. Louis markets.

Plans were also announced to pair a Wal-Mart with a Sam's in the New Orleans market, its first joint site venture effort.

Small Store Prototype

The company was pleased this year with the performance of a hybrid Wal-Mart, a small store prototype of 29,000 sq. ft., and may roll out similar stores in markets previously considered too small for mass merchants.

In Memphis, the company opened a 70,000-sq.-ft. merchandise processing center this year with a store named "MOST" to handle defective merchandise and closeouts.

A similar store has been operating for about eight years at the Bentonville, Ark., center, but without the logo.

The results of expansion are apparent in the prodigious growth of sales and net income that has become nearly routine for the company.

Sales for the most recent fiscal year amounted to $8.45 billion, up 32% from $6.40 billion in the preceding period.

The comparable store sales showed an increase of 9% for the most recent fiscal year.

Net income for the period rose by 21% to $327.5 million, compared with $270.8 million the previous year.

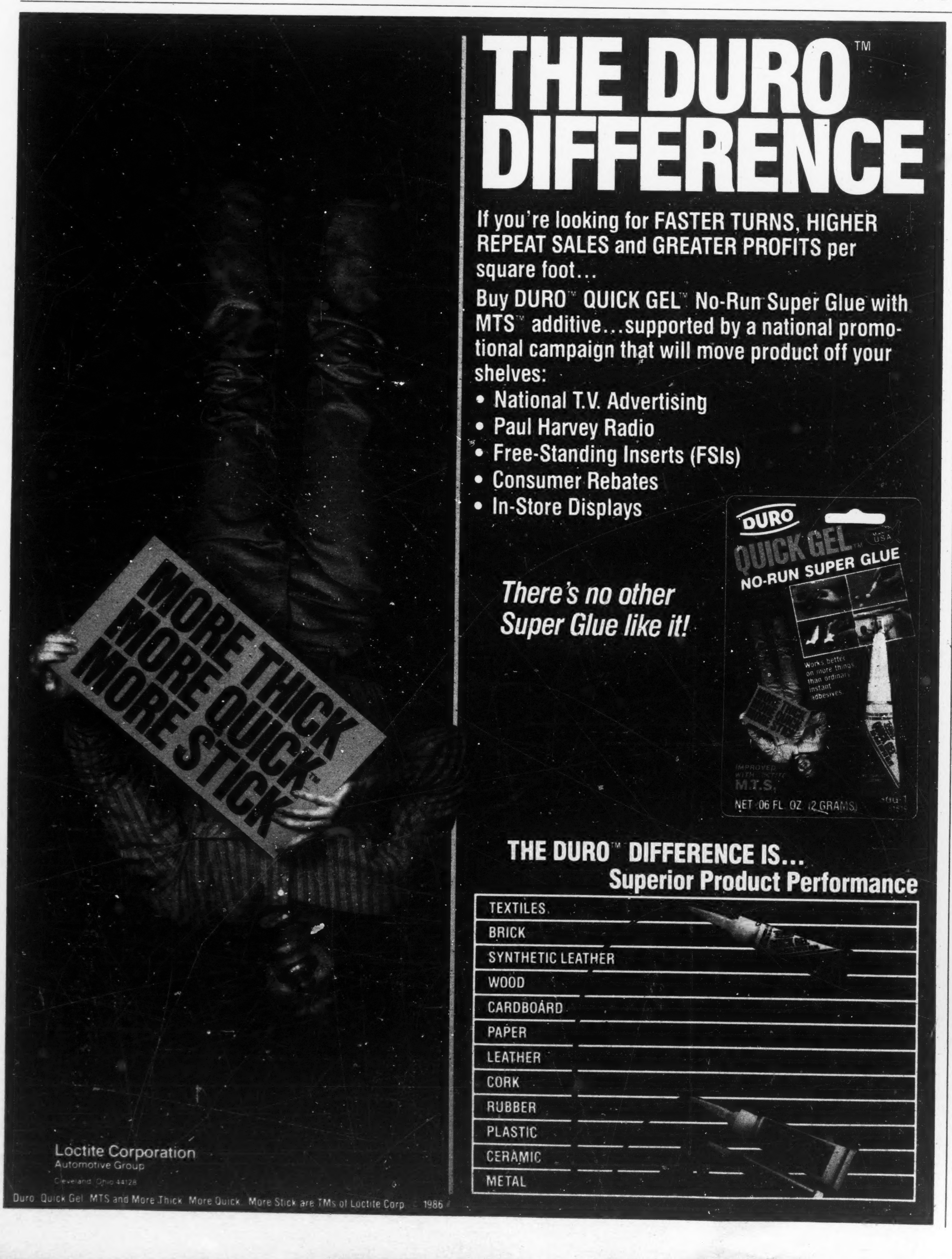
The gains were smaller than in the previous year, when sales increased 37% and comparable store sales rose 15%.

However, sales and income have grown each year since the company's initial public stock offering in 1970.

In the last 10 years, Wal-Mart's compounded annual revenue growth has been 37.5% and compounded earnings growth has been 39.8% a year.

Sam's sales for the most recent fiscal year reached $776 million, an increase of 250% over sales of $222 million in the preceding year.

Sales for Sam's are expected to reach $1.8 billion for the current fiscal year.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Target to Launch 117 New Stores by 1990

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MINNEAPOLIS — Target is scheduled to open 21 stores this year, all cast from the mold of the chain's first new store prototype in a decade.

This year's expansion is part of a five-year plan expected to create 117 new Target stores by 1990, bringing the chain's total to 343.

The five-year plan calls for 40 new stores in Southern Michigan, 25 of them in the Detroit market. The first of the Detroit market stores will open in Dearborn late in 1987.

Parent company Dayton Hudson is showing strong commitment to the promotional side of retailing in its $4 billion expansion plan. Besides the new Target stores, the parent company will open 160 Mervyn's stores.

Most of the new Target stores for 1986 will open in established Target markets in the Southeast and on the West Coast.

Facelifts are scheduled this year for some of the chain's older stores, bringing the number of stores with the chain's new look to about 60 by year's end.

New Prototype Worlds

The new prototype, with merchandise divided into three specialty store-inspired "worlds," was unveiled late last year.

Fashion World places apparel near the store entrance; Home World brings together 10 home goods classifications in the center of the store, and Basic and Leisure World is highlighted by an expanded consumer electronics department and a central service counter.

Most of the merchandise in the new prototype is the same as in other Target stores. A notable exception is the upgraded CE assortment, where higher priced merchandise, pegged at the more affluent local customer base, puts items like big screen TV's and computer components onto department shelves.

On the financial side, Target sales rose 10.7% from $3.6 billion to $3.9 billion for the most recent fiscal year. Comparable store sales grew 6%.

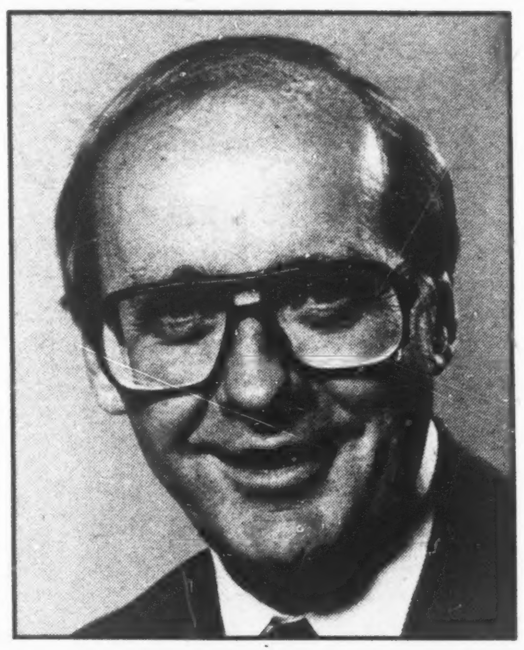
Operating income for the year grew by 18% from $235.6 million to $277.8 million. Target attributed the increase to improvements in gross margins and a better operating expense rate.

For the first quarter of 1986, sales rose 6% overall and 2% on a comparable store basis. By comparison, same store sales grew by 14% in the first quarter of last year.

The number of stores in the chain grew during the same period by 11 to a total of 226.

Target will open five stores this fall in the Los Angeles market, where the chain already has 25. Three will open in the Dallas/Ft. Worth market, which already has 11. Two are going into the Phoenix market, already the home of six Targets. One will open in Houston.

The chain is moving into no major markets this year, though it is opening some stores in smaller markets that are new for the chain. Stores will open in Wisconsin, Missouri, Minnesota, Indiana, Iowa and Montana. Beyond 1986, the chain is looking to Northern California, Detroit and Chicago.

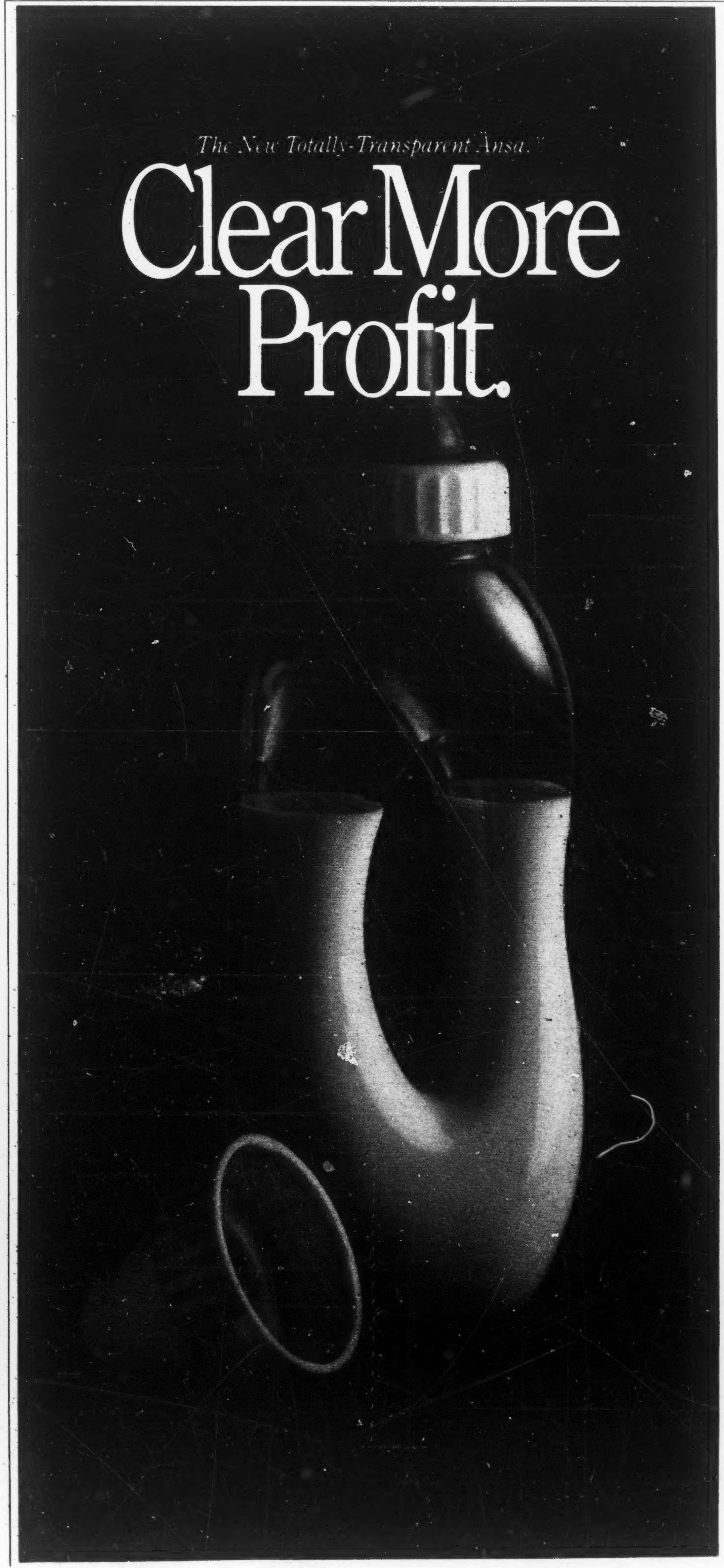


Bruce Allbright
Chairman, Target

TARGET

Target	Fiscal Year Ended 2/2/86	Fiscal Year Ended 2/2/85
Sales	$3,932,000,000	$3,550,000,000
Operating Income	277,800,000	235,600,000
Stores	226 (1/86)	217 (1/85)

Source: DSN research

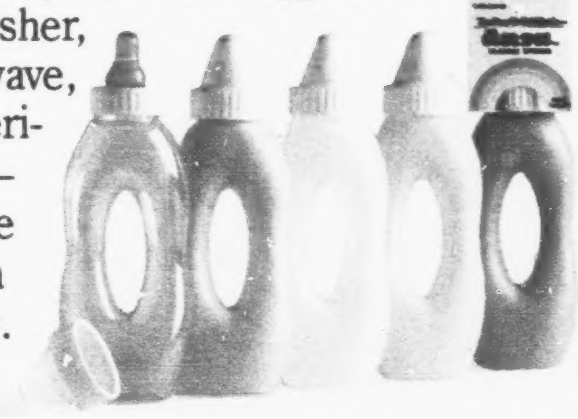


This new addition to the änsa Plastic Nurser line will go a long way in helping you to clear profit.

Of course, it still has the exclusive, patented änsa shape that's easier for a child to hold, use, and carry than ordinary bottles. Which still makes feeding easy for parent and child alike.

And it's just as easy to clean with a standard bottle brush, while it's equally safe and rugged for dishwasher, microwave, and sterilizing — just like all änsa bottles.

The only difference is that it is totally transparent, which is sure to be a hit with purchasers who have a clear preference.



Like all änsa Plastic Nursers, the new clear änsa comes with hood, collar, and nipple, and is graduated to 9oz/250cc. Available in singles, two-packs, and four-packs. Stocked store displays also available.

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Zayre Still on Expansion Track, Plans 25 Units by Year End

4

FRAMINGHAM, Mass. — Zayre Stores is still on an expansion track, with plans to grow to 430 units by the end of 1989.

The $2.6 billion discount department store division of Zayre Corp. plans to add 25 new stores by year end bringing its total store count to 362. The chain's plans call for it to add an average of 25 new stores each year through the end of the decade.

Backing this growth is a commitment by parent Zayre Corp. to spend $800 million in capital expenditures through 1989 on all its divisions. These include Zayre stores, B J's Wholesale Club, off-price apparel chain T. J. Maxx and women's off-price sportswear chain Hit or Miss.

Zayre Corp. also will spend $225 million during the period on store improvements and remodelings and will devote an additional $40 million to upgrade its computer and merchandise control systems.

For 1986, Zayre Corp. will back the discount department stores 25 new store opening program with $24.5 million in capital spending, all in current markets. The discount chain will add 10 to 11 stores in Florida, five or six in upstate New York, three or four in Virginia, one in Chicago and several in New Hampshire and Connecticut, said Zayre president Malcolm Sherman.

New Markets

An additional $20.6 million was slated for the continuing renovation of 27 former Gaylord stores purchased by the discounter in June 1985. That acquisition pushed Zayre into new markets in Delaware, Alabama, Georgia and North Carolina. The takeover also gave the chain dominance in New Orleans, with 11 stores in the Metropolitan Area.

Zayre is also planning to remodel between 55 to 60 stores this year and 30 to 40 more stores in subsequent years.

For the most recent fiscal year, ended January 25, 1986, Zayre reported discount stores sales rose 20.1% to $2.6 billion, up from $2.2 billion the previous year. Operating income increased 16.0% to $141.9 million, from $122.2 million the year before. Operating income, as a percentage of sales, was 5.4% in 1985 as compared to 5.4% in 1984.

During the fiscal year ended January 25, 1986, the chain opened 52 new stores, including the Gaylord acquisition, and closed five, for a year-end store count of 337.

In 1985, Zayre remodeled 41 stores. The chain also has been testing updated presentations in areas like domestics, housewares, stationery and party goods, targeted at higher-income customers.

The chain's distribution center support space has been increased with the addition of 200,000 sq. ft. to both the Atlanta and Chicago facilities.

Zayre has reinforced its committment to sophisticated point-of-sale systems with the recent expansion and addition of several functions. By the end of this year, Zayre expects to complete chainwide installation of its on-line credit card authorization service, already in more than 300 stores. The chain is also planning to add price look-up for everyday merchandise to its registers.

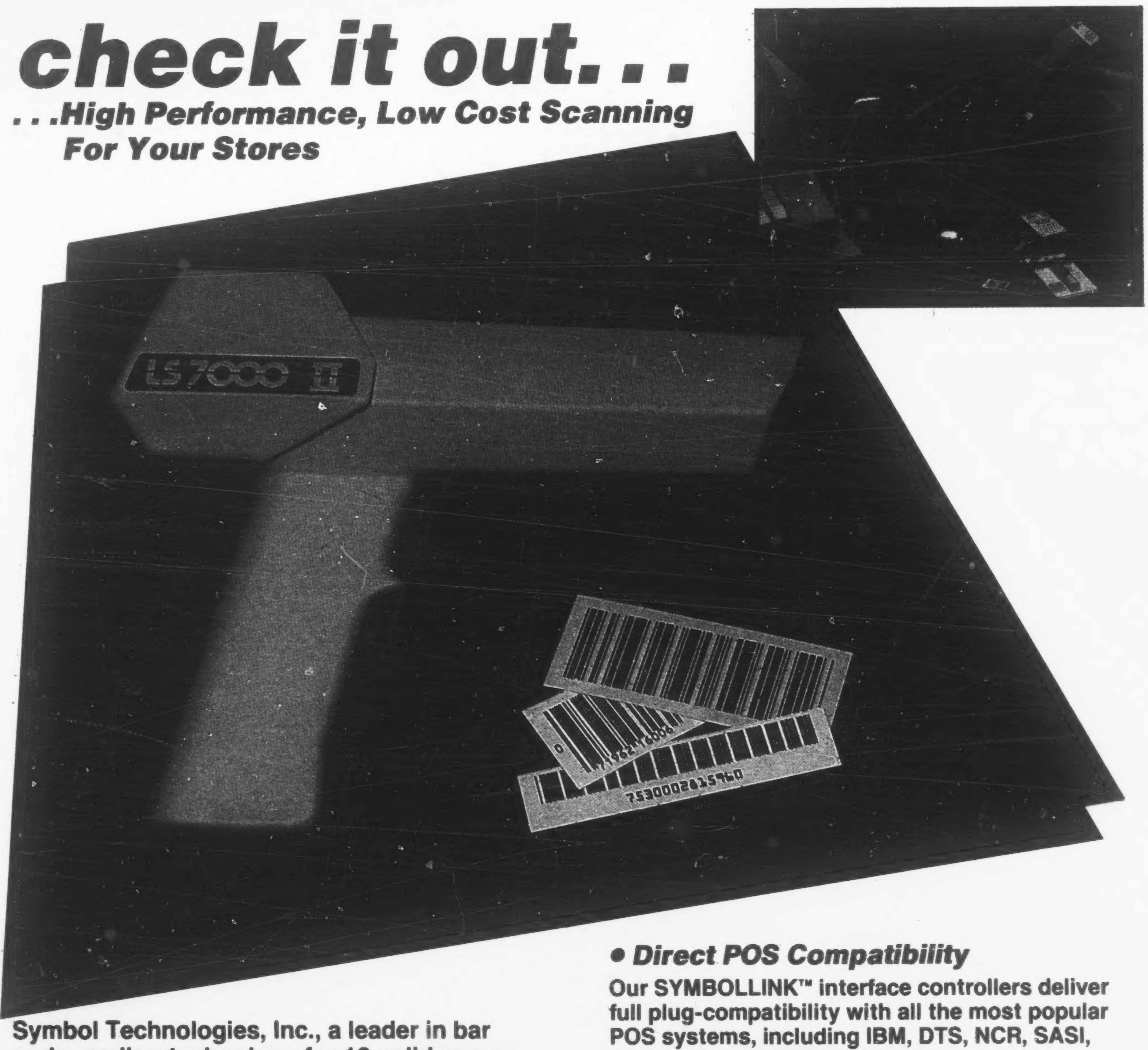
In a reorganization of senior ranks, John Levy, former executive vice president and general merchandise manager, was named to the new position of senior executive vice president of merchandising, distribution and systems.

Raymond Wysocki was promoted to senior vp and replaces Levy as general merchandise manager. Wysocki had been vp and senior merchandise manager.

Malcolm Sherman
President, Zayre Stores

Zayre Discount Stores	Fiscal Year Ended 1/25/86	1/26/85
Sales	$2,638,000,000	$2,196,000,000
Operating Income	141,900,000	122,200,000
Stores	337	290

Source: DSN research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Service Refocuses Strategies on Showrooms, Bottom Line

5

NASHVILLE — Service Merchandise will concentrate its efforts this year on returning its bottom line results to the high profit levels of past years.

The inevitable move in that endeavor will be to strengthen the diversified retailer's core Service Merchandise catalog showroom operation which turned in mixed results last year.

The major question mark is the future of the company's highly unprofitable Mr. HOW Warehouse home center chain, whose 20-store expansion planned for this year was recently put on hold.

The catalog showroom focus will be on maintaining a stronger in-stock position, particularly in the vital fourth quarter sales period. This is expected to be accomplished through such steps as smoothing out Service's automatic replenishment system (set up last year) and the inauguration, now underway, of a massive 870,000-sq.-ft. distribution center for the Northeast that will serve as a prototype for other regions.

Implementing the automatic replenishment system late last year resulted in stock shortages during the fourth quarter, Service chairman and president Raymond Zimmerman said.

The new Northeast regional distribution facility in Montgomery, N.Y., will serve the 142 showrooms currently in operation in an area extending from Maine south to Maryland and west to Michigan.

The semi-automated facility is equipped with laser scanning units and high-speed conveyors. A satellite system is used to communicate orders and other information with Nashville.

As for Mr. HOW, Service executives downplay trade reports that the troublesome operation will eventually be sold. They contend the company will stick with Mr. HOW and even turn it around.

What could be the start of the expected scaling down of the warehouse home center chain occurred this spring when six Mr. HOWs in Chicago were sold. We "got rid of our biggest problem," Zimmerman asserted, adding the 22 other warehouse home centers "will remain right now."

In disposing of the six Mr. HOWs, Service took a pretax charge of about $8.5 million. That charge points up the negative impact that the warehouse home centers have had on Service, whose showroom operations were once among the industry's most profitable.

DSN estimated Service's 287 catalog showroom volume in the fiscal year ended Dec. 28, 1985 at $2.2 billion, up 39.8% from an estimated $1.6 billion. While the cataloger opened 18 showrooms, a major portion of that increase was due to the 87 stores gained through the acquisitions of the H.J. Wilson and Ellman's showroom chains in May 1985, which *DSN* estimated contributed about $500 million in sales.

DSN estimated Mr. HOW's sales from 27 units at about $279 million last year, a fivefold increase from about $50 million from 12 stores in the previous year.

Overall, Service's volume amounted to $2.5 billion, a 52.5% jump from $1.7 billion.

Service's strong sales gains, however, failed to drop to the bottom line; net income plunged 75.9% to $10.7 million from $44.6 million, due to Mr. HOW's red ink and the cost of the Wilson and Ellman's acquisitions.

The company provided limited specific financial information on its showroom operation. Comments on Mr. HOW were confined to noting in a fiscal year report to stockholders "continuing losses experienced by our home improvement business."

Service's gross margin (as a percent of sales) slipped 12.4% to 21% from 24.2% "due largely to the liquidation of noncompatible" Wilson and Ellman's merchandise "as well as a slight decrease in Service's margins."

Selling, general and administrative expenses (as a percent of sales) went up 3% to 17.1% from 16.6% due to such costs of the acquisition as a sharp increase in advertising and the one-time cash payment for Wilson.

The company's total advertising cost went up 49.5% to $72.5 million from $48.5 million, with a large portion of the increase budgeted for the promotion of Service's takeover of Wilson and Ellman's. Service acquired Wilson for $163.5 million, of which $111.7 million was in cash and $51.8 million in interest-bearing notes.

Raymond Zimmerman
Chairman, President,
Service Merchandise

Service Merchandise	Fiscal Year Ended	
	12/28/85	12/29/84
Sales	$2,247,000,000*†	$1,607,000,000*†
Earnings	10,733,000	44,576,000
Showrooms	287 (1/86)	175 (1/85)

* DSN *estimate* † *Catalog showroom division sales only* *Source:* DSN *research*

Best Retools Showrooms to Return to Profitibility by Year End

6

RICHMOND — The overhauling of Best Products' showroom operation continues, with the first signs of a turnaround expected to be evident this fall.

Robert Huntley, president and chief operating officer, said "1986 will represent no more than the first milestone on the road back to satisfactory profitability because of the number and magnitude of projects we still have to complete."

He acknowledged Best's extensive store renovation and management reorganization programs "hurt sales and earnings" in 1985. The turnaround projected for the second half of the year would be "a moderate increase in sales, depending on the retail climate, and steady gross margin improvement," he added.

Bernard A. Cohen, executive vice president and president, retailing group, explained Best's core showroom business needed "an overhaul, not just minor repairs. We can't start over and buy a new company, so we have to spend money to fix it."

The cost of starting to fix Best's showroom operation last year caused an 0.8% drop in total company sales to $2.2 billion from $2.3 billion and a 83.7% plunge in net income to $2.2 million from $13.6 milion.

The sales decline, along with markdowns of discontinued merchandise, increased promotions and deflation for consumer electronics, resulted in gross margins (excluding LIFO adjustments) also slipping 0.8% to 24.1% from 24.3%.

Best's showroom division was the key to the diversified retailer's overall static performance. The catalog division's sales slipped 1.2% to $2.19 billion from $2.21 billion, while volume at the company's two other operations went up: Ashby's 33 ladies' apparel stores' sales increased 11.9% to $32.3 million from $28.9 million and the 11 Best Jewelry stores' volume jumped 76.9% to $10.5 million from $6 million.

Best's flat performance masked some hopeful omens.

The cataloger's efforts to boost sales of higher margin jewelry paid off as this category's share of total volume reached a new high of 17.1%, a jump of 16.3% from 14.7% in the previous year.

Management and operational reorganizations resulted in selling, general and administrative expenses as a percentage of sales rising only 0.9% to 19.5% (or $435 million) from 18.6% (or $419 million). Advertising costs dropped 1.3% to $69.6 million from $70.5 million as some regional promotions were eliminated. Salaries went up 1.2% to $207.5 million from $205.1 million as wage increases and additional staffing in some areas partly offset the reorganization's overall staff reductions.

The major on-going Best overhaul is the three-year, $100 million modernization of 107 older showrooms, half of the chain's 212 stores, to the new prototype unveiled last year. This program was launched in 1985 with the $25.3 million revamping of 22 showrooms; this year $31.3 million is budgeted to refurbish 37 units.

The refurbishing effort also involves using the Best logo for all the showrooms by 1987.

All of the 37 showrooms being updated will be renamed Best. They are part of the 74-unit Modern Merchandising chain that Best acquired in 1982 and which now use either the LaBelle's, Jafco, Dolgin's or Great Western logo.

Overhaul projects due to be finished this year include installing a new warehouse layout in all the showrooms, inaugurating a new, speeded up checkout system in 53 stores, opening leased central distribution centers (CDC) and unveiling a new $32.7 million headquarters addition.

The new layout of the showroom warehouse groups merchandise by category like toasters or VCRs, rather than by manufacturer. At the same time, the fastest selling items are located closest to the conveyor belt for quicker delivery to customer pickup.

The Best Express checkout system being tested in 53 showrooms guarantees shoppers will receive their orders at the pickup desk within eight minutes. The speeded up delivery to the pickup station is made possible by the new warehouse system.

The three leased CDCs, due to be fully operational by July, will enable Best to provide faster replenishment to 72 stores in the Midwest and Pacific Northwest, while also stocking merchandise for flyers and seasonal promotions. The 72 showrooms are former Modern units that couldn't economically and efficiently be served by Best's four current CDCs.

Andrew Lewis
Chairman, Best Products

Best Products *	Fiscal Year Ended	
	2/1/86	2/2/85
Sales	$2,191,911,000	$2,217,799,000
Operating Income	7,059,000	30,370,000
Showrooms	213	204

* *Catalog showroom division results only* *Source:* DSN *research*

TRU Sets Sights on 25% Share by 2000

7

ROCHELLE PARK, N.J. — Toys "R" Us (TRU), with sales of nearly $2 billion in the most recent fiscal year, plans to establish toy stores in three new domestic markets and three new foreign markets this year and next.

The movement into new markets is part of the push to increase the chain's market share to 25% by the year 2000.

According to TRU estimates, the company's slice of the U.S. toy market has already reached more than 15%, up from 5% in 1978.

This year, TRU intends to start about 51 toy stores worldwide, with 40 of the new stores in the United States, five in Canada, four in the United Kingdom and one each in Hong Kong and Singapore.

The openings will bring the chain's total to 297 by year's end, including 273 in the U.S., 12 in Canada, nine in the U.K., two in Singapore and one in Hong Kong.

Besides new foreign ventures in Hong Kong and Montreal, TRU is expanding out from existing U.S. markets this year into new cities.

In 1987, the chain plans to move toy stores into new domestic markets, Pittsburgh and Phoenix, and overseas in West Germany.

Kids "R" Us

About 20 Kids "R" Us (KRU) children's clothing stores will debut this year, more than doubling the division's store count to 43 by year's end.

A distribution center opened late last year in Franklin Township, N.J., will service all of the KRU stores.

Financial results reflect the chain's continued success.

For the quarter ended May 4, 1986, the chain had sales of $368.4 million, up 13% from $326.0 million during the corresponding period last year. Net earnings for the first quarter dipped 15% from a year ago, to $10.3 million this year from $12.2 million.

Company executives said they were pleased with the first quarter results because they are being compared with a very strong sales period last year that included a boom in Cabbage Patch doll business.

Sales for the most recent fiscal year reached $1.98 billion, an increase of 16.1% over last year. The previous year, sales rose by 29% from $1.3 billion.

Comparable store toy sales rose by 2.4%. In the previous year, comparable store sales went up by 14.4% and the year before that by 13.5%.

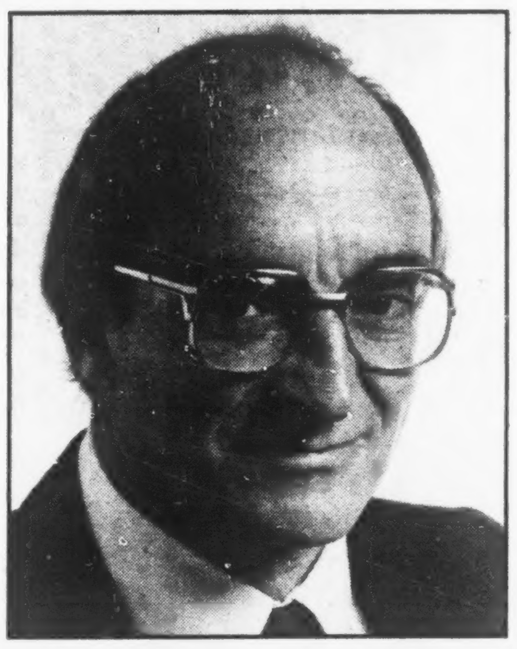
Earnings reached nearly $120 million during the last fiscal year, up from $17 million in 1978 for an annual growth rate of more than 32%.

Cost of sales as a percentage of sales has remained fairly flat for the last three years.

Selling, advertising, general and administrative expenses as a percentage of sales increased to 20.7% in the latest fiscal year from 20.2% in the previous period, as a result of lower growth in comparable store sales.

A new publishing venture for TRU met with success this year and is expanding.

Toys "R" Us Magazine was expected to triple in circulation for July, after the first issue's 110,000 copies sold out at a cover price of 79¢ just before Christmas.



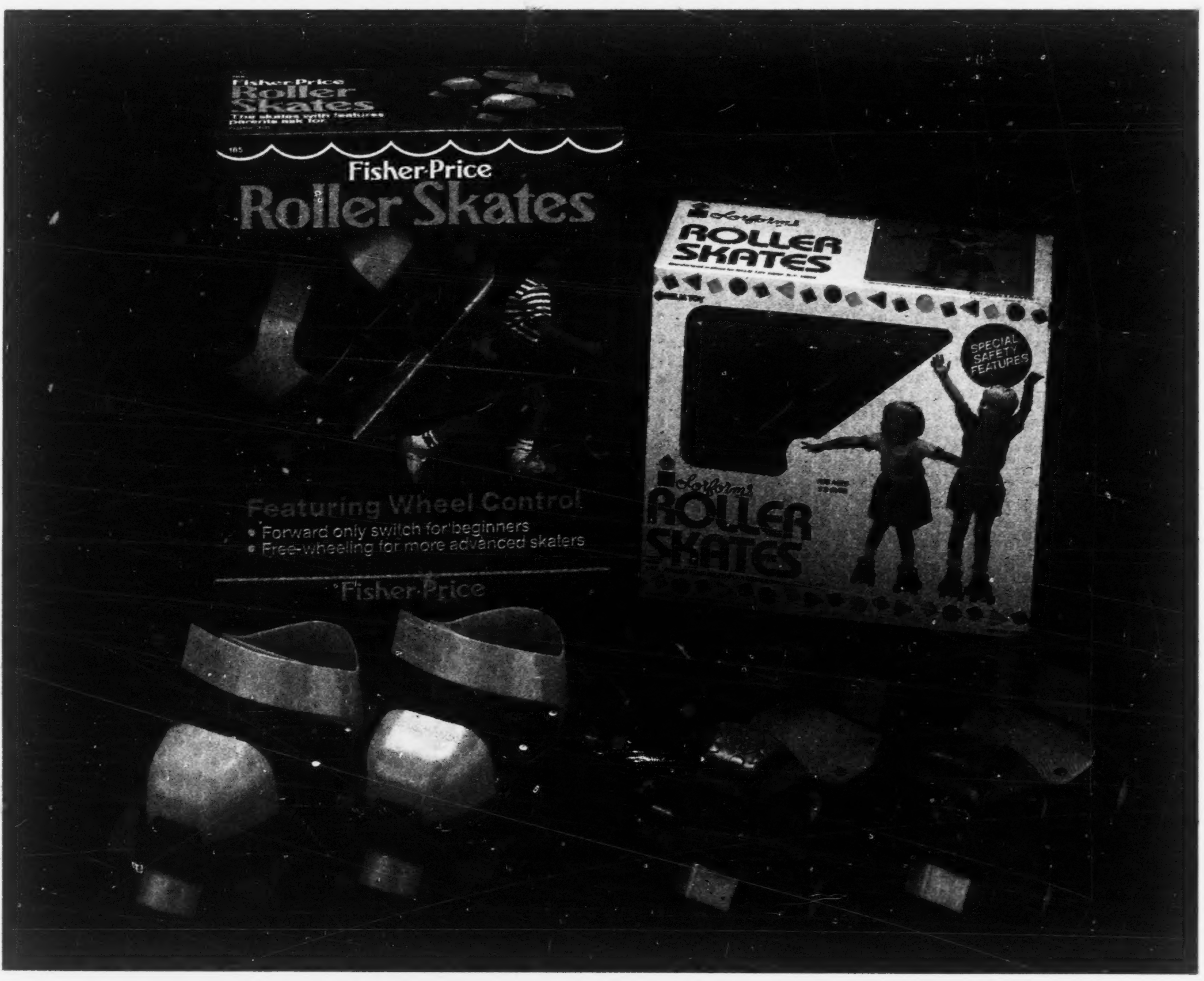
Charles Lazarus
Chairman, Toys "R" Us

TOYS "R" US®

Toys "R" Us	Fiscal Year Ended	
	2/2/86	**2/3/85**
Sales	$1,976,000,000	$1,701,000,000
Net Earnings	119,800,000	111,400,000
Stores	246 (1/86)	198 (1/85)

Source: DSN *research*

"Knocking off" Fisher-Price® can be short sighted and expensive.



Fisher-Price has promptly and successfully concluded a March 11, 1986 legal action against Helm Toy Company of New York City for patent, trademark and trade dress infringement of its Roller Skates. Helm has admitted the validity of Fisher-Price's Patent No. Des. 282,095 and Fisher-Price's trademark and trade dress rights and has acknowledged infringement. In a final judgement to be entered, Helm will be ordered to pay substantial cash damages to Fisher-Price, will substantially modify the design of the infringing skates and will be permanently enjoined from further infringement.

To Our Customers:
Helm infringed Fisher-Price's patent, trademark and trade dress rights. Fisher-Price appreciates and applauds the voluntary action of those major customers who removed the infringing Helm product from their shelves.

We remind our customers that the lifeblood of the toy industry is *unique* new product. Innovative products most often come from an up-front investment in design, market research, engineering, and molds by a manufacturer. When major retailers support "knock-off" products that undercut the manufacturer responsible for innovation, they hurt the industry as a whole.

To Toy Manufacturers:
Fisher-Price spends a great deal of time and money designing and engineering some of the finest toy products in the world. We have protected our concepts, designs, mechanisms, packages, etc., with patents, copyrights and trademarks. We will *not* tolerate infringement of our legal rights and we will seek *maximum* damages from those who produce and/or market infringing products.

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Price Club to Cross $2 Billion Mark with 28 Units by Year End

Sol Price
Chairman, Price Club

8

SAN DIEGO — But on the seventh day, Sol Price didn't rest. An original pioneer in the discount retailing industry—as a founder of FedMart—Price and his son, Robert invented a new form of discounting, once again blazing a new trail for others to follow.

The Price Club, a members-only wholesale/retail warehouse operation, will easily exceed the $2 billion sales mark for its current fiscal year, which ends Aug. 31. Such a volume puts Price Club firmly among the ten largest discount merchants in the country.

This sales volume is especially notable considering that it grew from precisely zero just a decade ago. Perhaps even more impressive is that there were no deep pockets of a parent company to finance Price Club's growth.

Instead, this new Price empire began with a $2.5 million stake in 1976. Most of this modest start-up capital was raised in $5,000 lots from friends and associates of the Prices.

In its last complete fiscal year, ended Aug. 31, 1985, Price Club posted sales of $1.83 billion and a net income of $46 million. The sales increased a whopping 61% from fiscal 1984's $1.14 billion, in part because six new warehouses were added to 1984's store count of 15. Still, comparable warehouse sales grew by a substantial 22% during fiscal 1985.

During the current fiscal year, seven more warehouses were opened—doubling the count to 28 units in just two years. Price Club also entered three new Eastern markets this year. In November, the club opened its first Maryland warehouse. More recently, a Philadelphia unit introduced Price Club in that market and two suburban New York warehouses opened next to the nation's largest city. One unit opened on Long Island, in Smithtown, N.Y., and another in East Rutherford, N.J., about 15 minutes west of Manhattan.

Three additional warehouses opened in Price Club's home state of California in the current fiscal year.

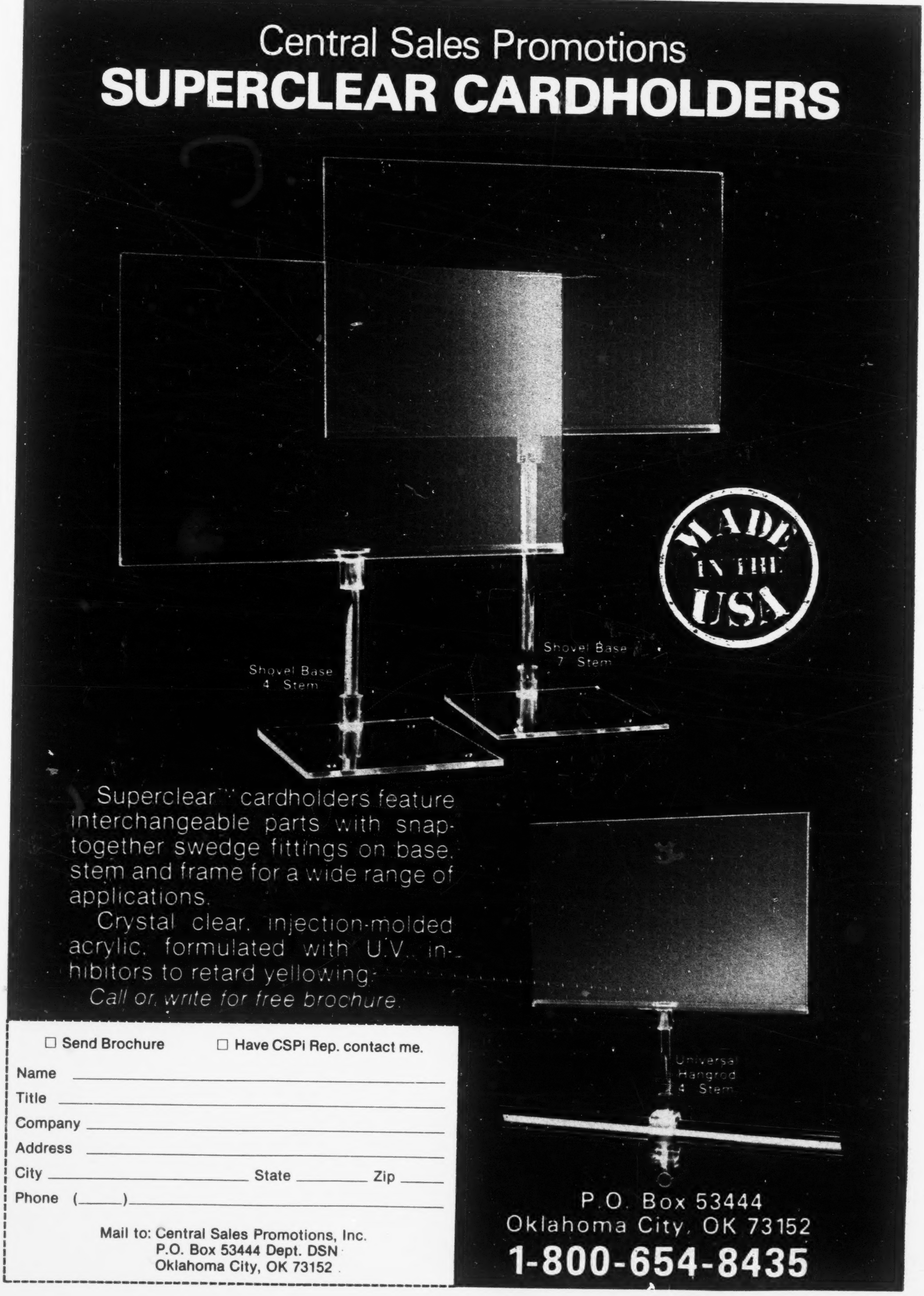
Average of 18 Turns

Despite the Price Club's huge volume, inventory investment is miniscule. Because merchandise turns an average of 18 times annually, most goods are already sold by the time an invoice comes due.

While the warehouses carry a full line of hard goods, soft goods, H & BA and consumables, with the exception of fresh foods, the assortment is limited.

All merchandise are brand names bought on deal and margins are a super-thin 10%. According to Price Club, 60% of its volume comes from wholesale customers, who presumably offer their purchases for resale, and the balance from retail group members. Group members are individuals selected from employer institutions such as utilities, banks and credit unions and government agencies. Customers from these groups are preferred because it is believed they are unlikely to write bad checks. Price Club does not offer credit in any form.

Price Club, which opened its first warehouse here in July 1976, had a rocky first year, posting its first and only loss, but survived to open its second unit in Arizona in 1978. Still a privately-owned company, a third warehouse was opened in Santee, Calif., in 1979. The company's stock went public in 1980 and expansion has continued in every year since 1981.



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Bradlees Focuses on POS, Back-to-Basics Strategies for 1986

9

BRAINTREE, Mass. — Once tagged "the department store with a difference," Bradlees is back to being a discount chain.

But, as one security analyst recently explained, "it's a slow process that involves much fine-tuning."

As part of its current—and costly—turnaround program, Bradlees is scheming to end 1986 with improved management information systems, better inventory controls and higher earnings than it charted in the past year.

Stop & Shop will spend $215 million on its Bradlees division through 1988. That includes installing POS equipment in the 112 of its 156 stores that don't already have electronic registers by the end of 1987.

Management information systems (MIS) are a key part of the equation to recoup profits at the chain, which had been stressing higher quality, more expensive merchandise rather than efficient systems.

Late last summer, Bradlees adopted sharper everyday low prices on basic and commodity items in response to a loss of market share that had started late in 1984. Advertising was also stepped up with lower promotional prices and more pages in each circular.

Operating Profits Down

As a result, the chain's operating profits plummeted by 60% to $30.7 million for 1985. (For the fourth quarter alone, profits dropped 44.6%.) Sales were up by 15.4% to $1.6 billion for the year.

In effect, Bradlees traded margins for increased store traffic and higher volume.

To make that competitive strategy eventually pay off at the bottom line, the next step is to implement more efficient planning of promotions via larger buys and better control of inventory levels using MIS.

The new POS equipment, which is the latest from IBM, will allow for faster tracking of sales and also enable the chain to use UPC bar code scanning and price look-up.

In addition to the operational improvements, the discount chain also faces the task of refurbishing the 16 former Jefferson Ward stores it purchased last May. The stores, which are all in Philadelphia, now have the Bradlees banner but a complete reformatting will take two to three years.

At the same time, Bradlees' expansion is continuing with eight new stores planned to open this year and another eight planned for 1987.

The remodeling program will include five of the former Jefferson Ward units and two other Bradlees this year. Each renovation reportedly costs about $2 million.

The chain will have to reach its goals without a president. Harry Kohn, who had been president, resigned as of July 1, prompting a reorganization that has five vice presidents report directly to Harold Frank, chairman and chief executive officer of the chain.

According to official announcements, there are no plans to replace Kohn.

George Granoff is now executive vp, merchandising. Richard S. Silverman was named senior vp, store operations. Edward Cooney, senior vp of administration services, took on information systems. C. Robert Peacock was named senior financial manager in charge of control and accounting operations. Fred Gelfand, vp, director of marketing, will now be handling consumer affairs as well as advertising sales promotion.

At Stop & Shop's annual meeting, chairman Avram Goldberg stressed that the gross margins will never get as high (about 7%) as they were before last year.

Harold Frank
Chairman, Bradlees

Bradlees	Fiscal Year Ended 1/31/86	 1/31/85
Sales	$1,620,000,000	$1,404,000,000
Operating Income	30,700,000	85,200,000
Stores	157	132

Source: DSN *research*

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- *Support your sales efforts by generating in-house direct mail promotions throughout the year while targeting these mailings at specific segments of the marketplace and at key decision-makers by name.*
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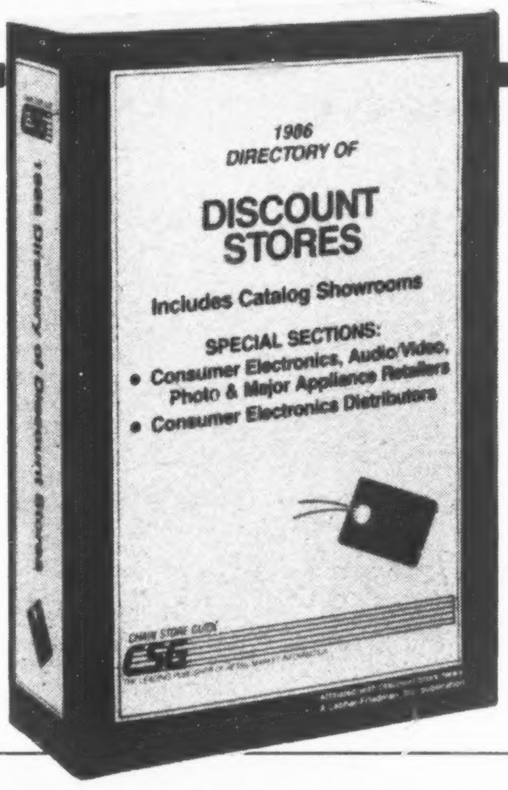
1986 DISCOUNT STORES/CATALOG SHOWROOMS/ CE RETAILERS/CE DISTRIBUTORS
Published in March, 1986
Provides complete company profiles on 325 discount store companies operating 8,250 stores.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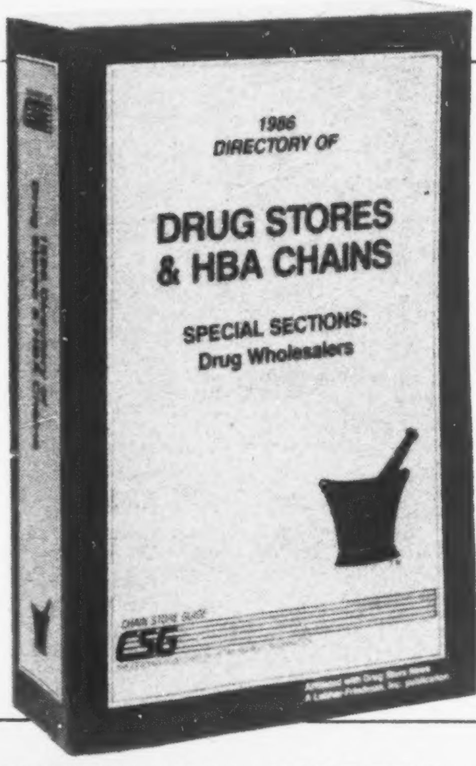
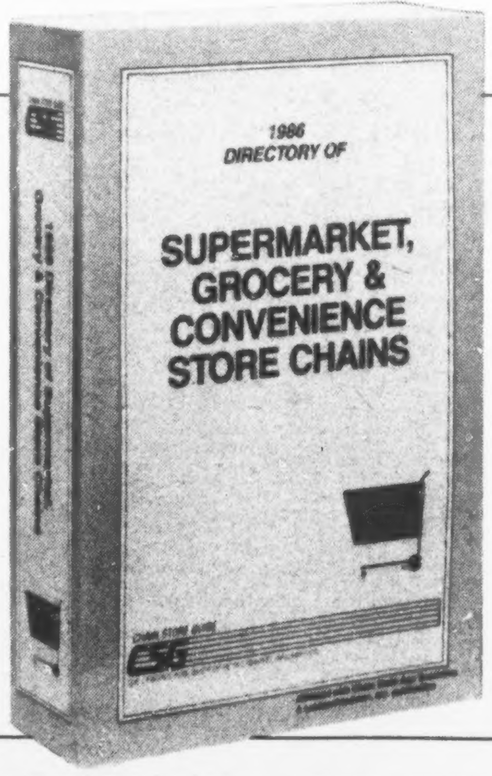


1986 DRUG & HBA CHAINS/DRUG WHOLESALERS
Published in December, 1985
Provides complete company profiles on 2,000 2-or-more store chains operating 23,000 drug & HBA stores *and* 165 drug wholesale companies and their 275 divisions.

1986 SUPERMARKET, GROCERY & CONVENIENCE STORE CHAINS
Published in October, 1985
Provides complete company profiles on 3,700 store chains operating 75,000 units.



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Ames Continues Integrating Murphy's, Plans More Units

10

ROCKY HILL, Conn. — The goal at Ames through the current year will be to continue integrating the operation of its own chain with the G. C. Murphy discount and variety store chains it acquired in June 1985.

In addition, the chain has announced plans to open 21 new stores by the end of this fiscal year.

In line with its integration efforts, the now $1.5 billion retailer plans to remodel 21 stores by the end of the year and focus on realigning G. C. Murphy's operating systems, methods and procedures to conform with those of Ames.

The realignment is expected to gradually bring Murphy's Mart discount chain's net operating margins, which approximated 2% in fiscal year ended January 1985, up to that of Ames', which was 3.5% for the same period.

Ames is also striving to cut the 14% payroll/sales ratio at Murphy's Mart stores to the 8% to 8.5% of sales for payroll in Ames stores. The goal for sales per sq. ft. at a Murphy's Mart store is $112, which was the average sales for an Ames store during the previous fiscal year.

Integrates the Assortments

Company executives said Ames is still working to integrate the two discount chain's assortments into one mix with one price set. To that end, the chain recently completed installation of its IBM registers in all Murphy's Marts stores, adding sales tracking and information gathering functions.

Peter Hollis, who will move over to Ames later this summer as president and chief operating officer from Fisher's Big Wheel where he held the title of president, will help guide the discount chain through these efforts.

The chain currently consists of 306 discount stores, including 108 former Murphy's Marts discount stores, and 144 former Murphy variety stores.

The variety store chain is being operated as an independent division out of former G. C. Murphy headquarters in McKeesport, Pa.

Company sales, including volume from G. C. Murphy stores, for fiscal year ended January 25, 1986, jumped 84% to $1.513 billion as compared to sales of $822.0 million the previous year.

Earnings rose almost 42% to $40.4 million from the prior year's earnings of $28.5 million.

Overall, the absorption of the G. C. Murphy company has occupied most of Ames' efforts during the recent fiscal year.

Ames spent $205 million for the 381-store G. C. Murphy company. G. C. Murphy, which operated stores in Pennsylvania, West Virgina and adjacent states, reported sales of $913 million for fiscal year ended January 31, 1985.

Since the acquisition, Ames has sold or closed 10 discount stores and 118 variety stores because they were unprofitable or unsuitable geographically.

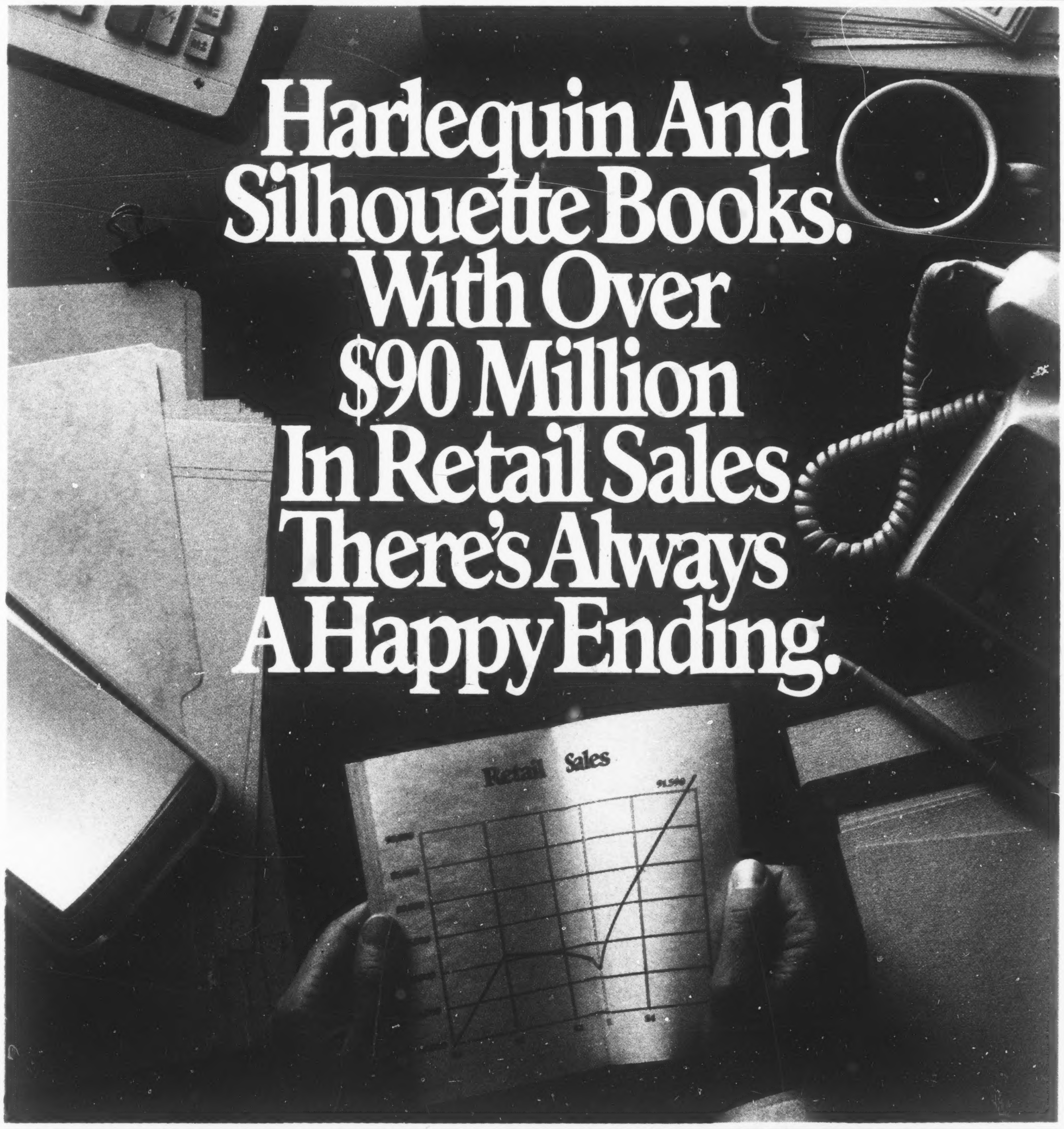
Ames launched a remodeling effort of the Murphy's Mart stores, changing each store's name as a remodel was completed.

By the end of the previous fiscal year, Ames had completed the installation of IBM electronic point-of-sale equipment in all of the Murphy's Mart stores; had fully integrated the merchandising staff of both discount chains; had restructured and combined store field management and had reequipped a former Murphy distribution facility in Fredericksburg, Va.

Herbert Gilman
Chairman, Ames

Ames	Fiscal Year Ended 1/25/86	Fiscal Year Ended 1/26/85
Sales	$1,513,000,000	$822,000,000
Operating Income	40,400,000	28,500,000
Stores	326	306

Source: DSN research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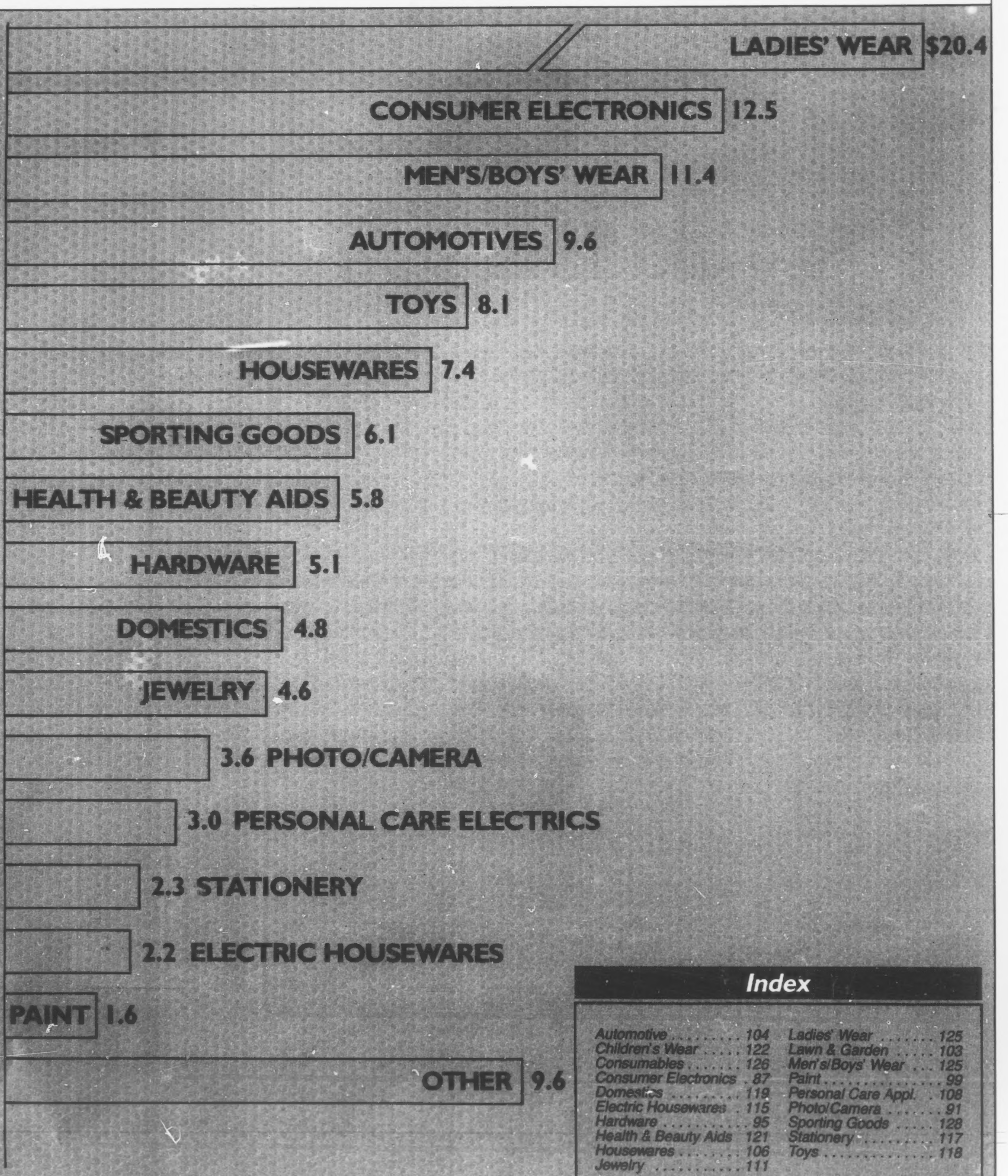

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Source: DSN research

**Includes $8 billion in sales from membership warehouse clubs.*

Color TVs, VCRs, with Features to Drive 2nd Half CE Sales

Nationwide DSN Report

Discounters are betting on a resurgence in consumer electronic sales in the second half that will begin when consumers discover that an array of products have become available at very attractive prices.

The star products will continue to be color televisions with features, VCRs with features, and continued, growing interest in audio products like compact disc players.

Discount department store chains like Gold Circle, Target, Zayre and Venture have adopted a promotional strategy that doesn't require them to go head to head with specialty discounters like Circuit City, Crazy Eddie, Highland and Silo.

These specialty chains have been able to compile enviable sales and earnings records while full line discount department stores' results have been sluggish. At the mid-point of the second quarter, the major discount department store chains chose to stay in stock on key product areas such as color televisions and VCRs, but they put more emphasis on less volatile audio products.

Reduced Prices

Target, for example, featured Sony and Sharp boom boxes from the lower end of the assortment with a $44.99 price point on the Sharp units—a 10% saving—and $79.99 on an $89.99 Sony unit. The chain also offered higher-end AT&T cordless phones for $97.99, a $22 saving, and a $79.99 Sanyo phone answering machine at $69.99.

Gold Circle shifted its promotional emphasis to audio, but it has offered good buys in video and an array of software and accessories in audio and video to reinforce the perception of broad assortment.

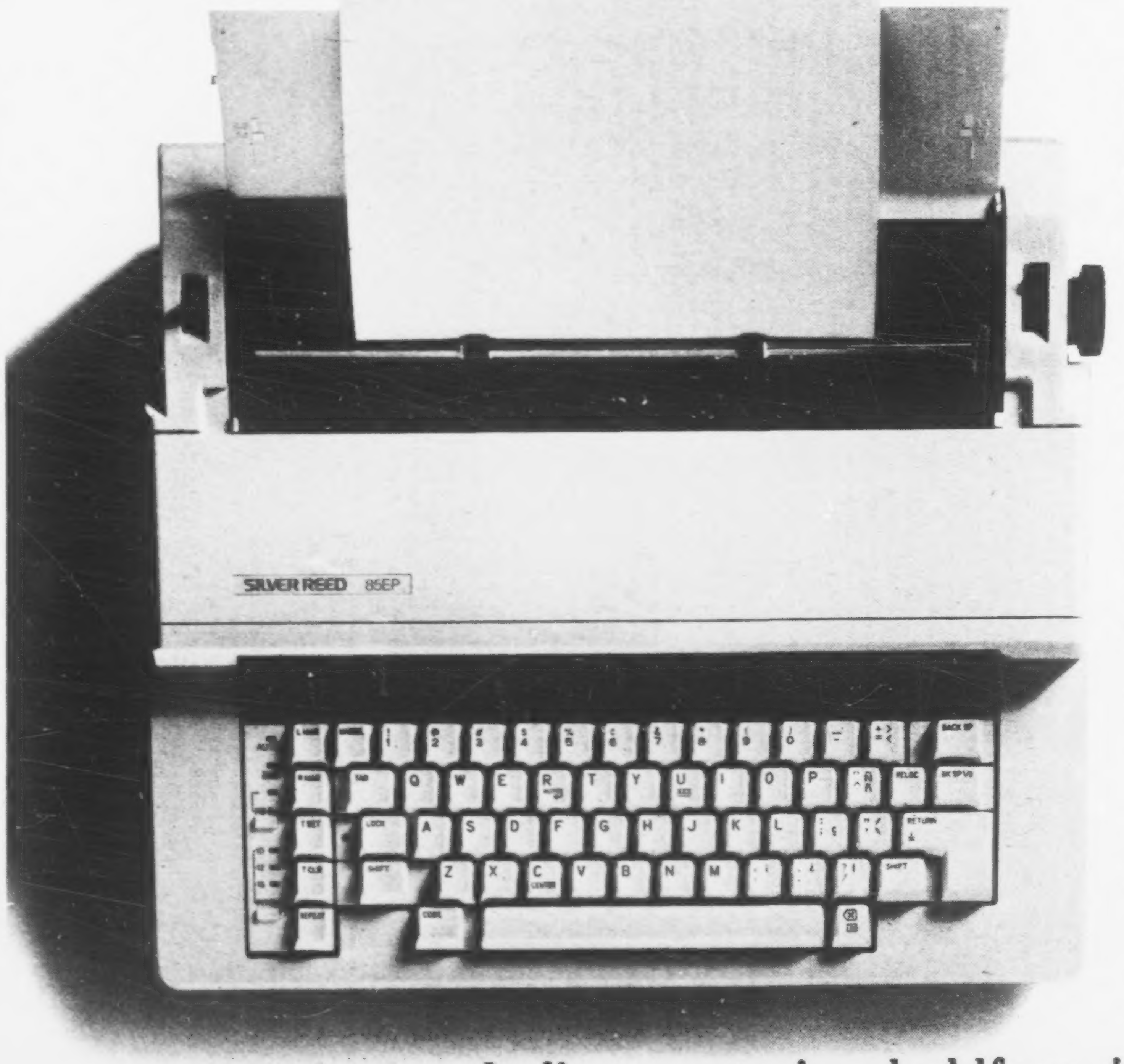
In audio products, the chain's promotional emphasis was on $39.99 Lenoxx and $99.99 Yorx-brand boom boxes. An electronic musical keyboard by Yamaha was offered at $119.99, a $10 saving. Among the video hardware products being promoted were a Contec brand 19-in., color television at $269.99, a $30 saving, and an Emerson VCR with wireless remote at $269.99, also a $30 saving.

(Continued on page 88)

K mart's latest thinking in consumer electronics is evident in its prototype Southfield, Mich., store. Pre-recorded video gets approximately 28 running feet of space and a working display; televisions, including VCRs, get back of the department wall space, rather than the sound room set-up featured in other K mart units. (DSN photos)

Consumer Electronics $12.5 Billion	
Full Line Discounters	***$6.3B***
Catalogers	***$0.9B***
Specialty Discounters	***$5.3B***
Full Line Discount Store Productivity	
Sales	***$6.3B***
Sales per Store	***$761,600***
Dept. Size	***2,300 Sq. Ft.***
Sales/Sq. Ft.	***$331.30***
Turns	***3.1***
Initial Markup	***31.0%***
Gross Margin	***18.9%***
	Source: DSN *research*

HOW TO KEEP FROM LOADING YOUR SHELVES WITH USELESS GADGETS.



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Color TVs, VCRs, with Features to Drive 2nd Half CE Sales

Bradlees too recast its CE department this year in an upscale drive to take a more dominant position in a lifestyle category, including TV's, not fully explored in the past.

Minolta/Canon

In its newest prototype, Target merged photo and CE, centered the area with a service boat and set it at the front left corner of the store between record and tapes and sporting goods. (DSN photos)

(Continued from page 87)

The chain focused its promotional resources on audio and video tapes, both blank and pre-recorded, compact discs and storage systems. Pre-recorded video tapes by Star Classics carried a price of $6.99, while $12.99 compact disc prices were cut by just $1.

In contrast, New York-based Crazy Eddie continued to promote color televisions and VCRs, offering limited amounts of a Protech brand CD player for $77, a 19-in. Dynatech color television for $111 and a Sharp VHS VCR with remote for $166.

Highland used a similar promotional strategy by emphasizing sale prices on color televisions and VCRs with features. A Zenith 25-in. color set that regularly sells for $439 was on sale for $387. A Mitsubishi 36-in. stereo rear projection color TV was offered at $1,999—a $296 saving.

Discount department store chains have been reminded how difficult it is to compete against a discounting CE specialty store. As a top executive of Audio/Video Affiliates observed when discussing competition from the most successful full line discounters, "We love Wal-Mart. We like to be next to them [because of the shopper traffic the discounter produces]. On those few sku's that both of us carry, we will undercut them in price and take a loss."

Specialty Discounters Gain

Specialty discounters, too, faced the same perils of reluctant consumer spending in the category, but have been able capitalize on can't-be-beat pricing strategies in video hardware products and have claimed a larger share of the smaller sales volume.

Results from the last quarter show specialists like northern California based-The Good Guys and New York based-Newmark & Lewis with earnings gains of 17% and 66%. In contrast were the disappointing results of discount department stores.

At one full-line chain—Caldor—the poor performance of consumer electronics was cited as one of the reasons for the chain's lackluster performance in the first quarter.

Full line discounters continue to search for a niche in those markets where they compete with discount specialists by offering the right combination of price and selection. Another choice is for the discount department stores to compete more directly with specialists by offering shoppers some of the advantages of specialty discounters. Bradlees has opted for the latter.

When the Braintree, Mass.-based chain rolled out its newest CE department prototype, it became apparent that the department was bigger, with a broader selection and improved presentation of televisions and VCRs. Bradlees has also added a highly visible, four-sided service counter where shoppers can get more assistance with their "service assisted" purchases.

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SLR Packages Continue to Boost Photo Department Margins

Nationwide DSN Report

Photography has long been a mature business, but it is one that produces very impressive numbers, especially for discounters.

Where once the simple, low-end snapshot camera overwhelmingly dominated photography sales in discount department stores, last year more than one out of five single lens reflex cameras purchased in the United States was bought from a discounter.

The attraction, of course, is the sharp prices in discount stores. Industry research disclosed that fully 50% of recent purchasers chose their camera because of price.

Lower prices, however, are a mixed blessing. Especially for discounters, margins on all types of cameras have become razor thin. However, with SLRs, accessories can help inflate the category's overall profit performance.

Lenses, filters, flash units and kit bags are often merchandised as part of a camera package and additional accessory sales often make an SLR purchaser a repeat customer for a discount store camera department. The margins on cameras alone frequently are below 20%, while accessories can carry gross margins of up to 50%.

The Brightest Spot

Autofocus 35mm cameras make up the brightest spot in the photography category.

The one truly new product in the last year was Minolta's Maxxum autofocus SLR. The original Maxxum 7000 proved so popular that Minolta quickly added two more models to the line in the early spring. The Maxxum 5000 filled out the bottom of the line while the Professional Maxxum 9000 became the top of the line.

Largely on the strength of the Maxxum line, Minolta narrowed the gap between itself and industry-leader Canon. However, Nikon has introduced its own autofocus SLR, the N2020, and Canon is expected to have its own entry in the near future.

The popularity of autofocus SLRs has come at the expense of earlier generation single lens reflex cameras rather than inducing more casual photographers to upgrade their purchases.

While for some, the lack of step-up purchases is a disappointment, the effect may ultimately prove to provide a greater degree of stability in the crowded and competitive market. If, as it appears to be doing, the autofocus SLR becomes the standard, some of the many minor SLR manufacturers may choose to abandon that business. Substantial development and marketing costs may be too high for some manufacturers to compete profitably. The big four—Minolta, Canon, Nikon and Pentax—are expected by some industry observers to increase their dominance while weaker competitors fall by the wayside.

(Continued on page 92)

The low margins that cameras bring has long been a problem for discount photography departments. Accessories, such as the kit bags in Howard Bros. Knoxville, Ky., store add profits. (DSN photo)

Photo/Camera $3.6 Billion	
Full Line Discounters	***$3.3B***
Catalogers	***$0.3B***
Specialty Discounters	***NA***
Full Line Discount Store Productivity	
Sales	***$3.3B***
Sales per Store	***$398,900***
Dept. Size	***675 Sq. Ft.***
Sales/Sq. Ft.	***$591.11***
Turns	***3.1***
Initial Markup	***25.6%***
Gross Margin	***18.4%***

Source: DSN *research*

OLYMPUS
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OLYMPUS
AF

One great pocket camera deserves another.

And another...
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When Olympus introduced the **XA** camera in 1979, it revolutionized the art and science of the lens-shutter camera. The innovative Dust Barrier improved both form and function. Its lens was the first engineered to the exquisite precision of an SLR lens. And the sleek design set new standards for compactness and ease of operation.

Olympus didn't stop there! Examples: the **XA3** with its focus-free point-and-shoot system and programmed shutter with backlight control. And the **XA4 Macro**, the world's first wide-angle pocket camera with a 28mm lens and close-up focusing down to one foot!

Then the **Quick Shooter**, a motor-driven auto focus 35mm with auto everything. With its innovative lithium battery pack that recycles flash every 1.5 sec. For as much as 5 years under normal use! And the **Trip AF Motor**, another motor-driven auto focus 35mm packing loads of automatic features into its compact, pocket-size shape, at a great price.

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Olympus has just added two new exciting lens-shutter 35mm cameras. The breakthrough **INFINITY**, totally automatic and weatherproof, with features unprecedented in a pocket 35mm at *any* price. Such as ESP Quick Flash which automatically fires in low light *and* backlit situations all with 1 sec. recycling—light years ahead of all the rest. And the ability to withstand any weather situation including rain, snow, mist, smoke, seaspray...anything! And the **SUPERTRIP**, popularly-priced "point-and-shoot" 35mm with major manufacturer quality and performance.

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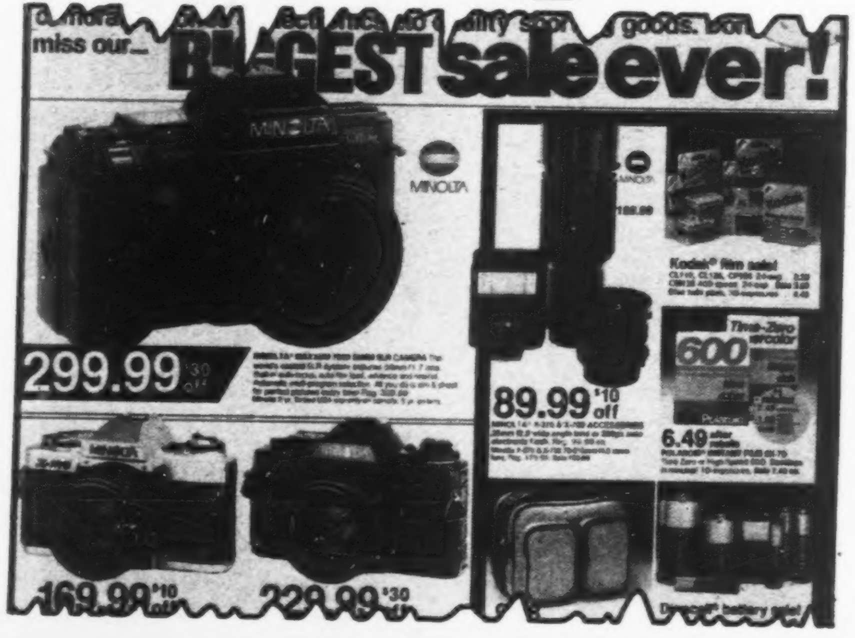
SLR Packages Continue to Boost Photo Department Margins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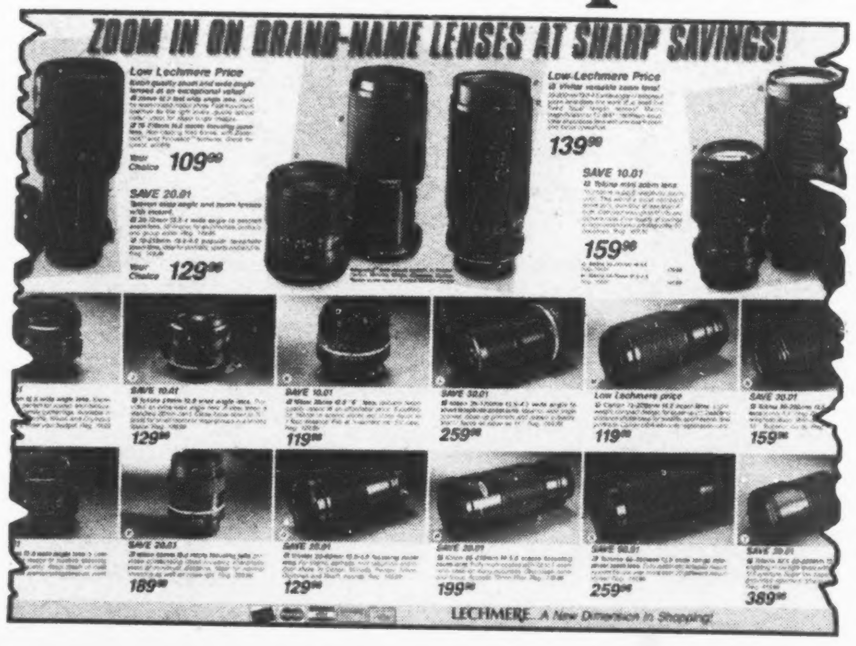
229.99

Milolta's hot new Maxxum 7000 autofocus SLR, at a sharp $299.99 price point, was the featured item in a spring Gold Circle newspaper supplement (left). In May, hard goods discounter Lechmere distributed an eight-page photo circular with higher-margin name brand lenses on the two center pages.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199
259
389
LECHMERE. A New Dimension In Shopping!

(Continued from page 91)

The film business, long the private preserve of Kodak, is feeling the effects of increased competition by Japanese brands. While Kodak retains more than four-fifths of the American film market, bright green patches of Fuji film are increasing evident in the sea of familiar yellow Kodak boxes in many store displays.

From virtually nowhere a few years ago, Fuji now accounts for an estimated 10% of film sales in this country. Still, Fuji has not had a great deal of impact on Kodak's film sales. Rather, Fuji, generally priced one notch below comparable Kodak sku's, has had the greatest effect on private-label film.

Because of the high inventory cost of film, few retailers are eager to carry three lines unless they can expect to significantly increase unit sales. The great majority of discounters are more than content with Kodak as their lead brand and a second, "budget" line of film to meet the demand of price-conscious photographers.

Besides Fuji, a second Japanese film manufacturer is hoping to gain a larger portion of the budget niche. Konica, a major brand in Japan and elsewhere overseas, has begun a marketing push to establish itself as a name here. Previously, Konica's major presence in the American market was as a manufacturer of private-label film.

35mm Dominates

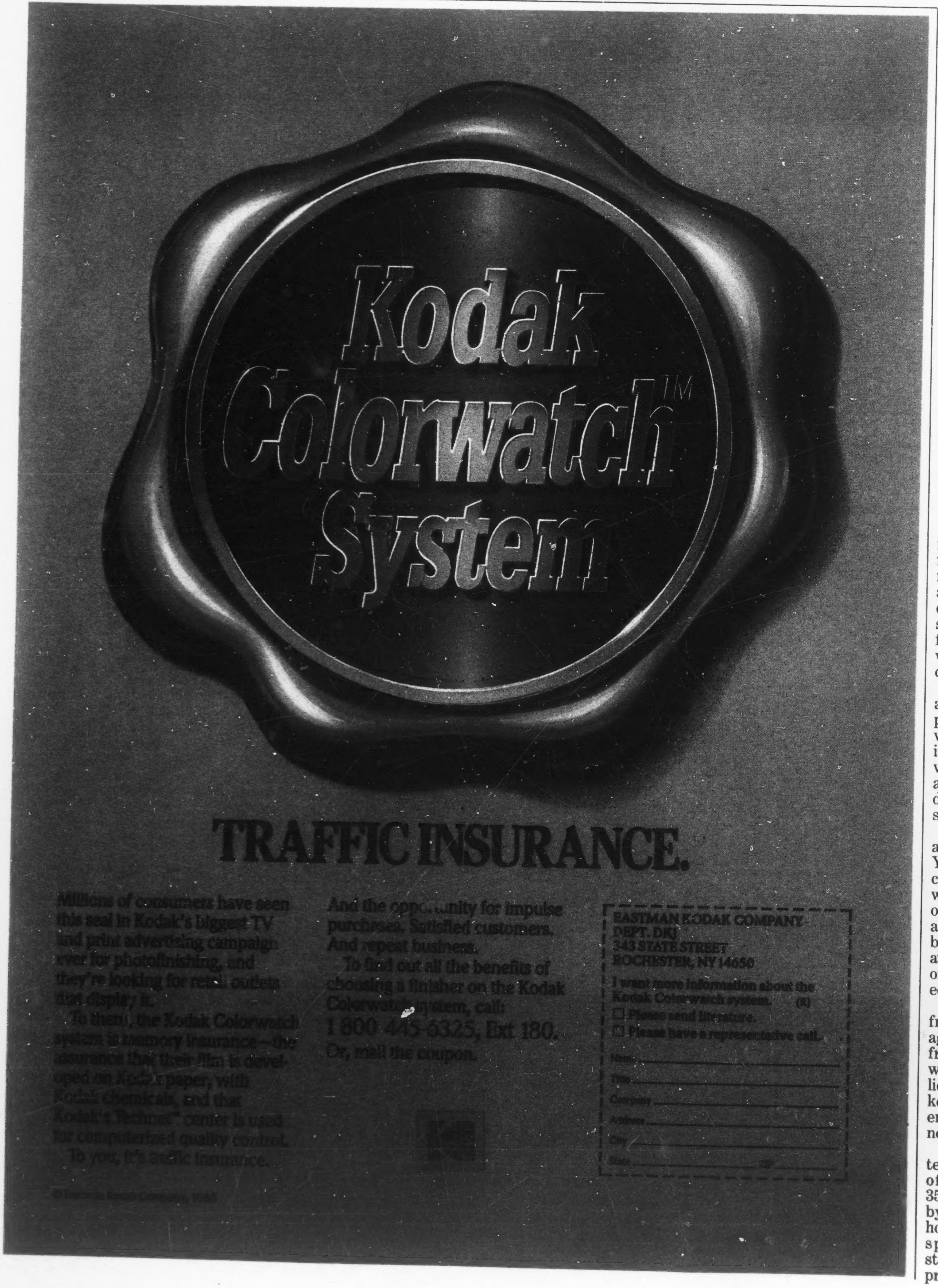
Increasingly, the 35mm format is dominating the photography market, both for the more knowledgable hobbyist and the casual snapshot-oriented amateur. Point-and-shoot 35mm autofocus rangefinders are growing in appeal while the popularity of disc cameras is waning.

Compact 35mm cameras are available at a wide variety of price points, competitive even with bottom-line disc offerings. Picture quality is lower with the disc format, but it also suffers, according to industry research, from a stodgy image.

Disc cameras simply don't appeal to Yuppies or would-be Yuppies. Only 10% of disc purchasers are under 30 years old, while 35% of camera buyers overall are in that age group. In addition, 24% of the people who buy cameras are college graduates, but for the disc format, only 8% of purchasers graduated from college.

Instant cameras also suffer from a poor demographic image. However, Polaroid, freed from competition by Kodak, which some observers believed forced the instant market to focus primarily on low-end promotional models, has a new top-end entry.

The Polaroid Spectra System produces instant pictures of quality comparable to 35mm photographs processed by increasingly-popular one-hour labs. Polaroid backed its spring introduction with strong industry and consumer promotions.


Kodak Colorwatch™ System

TRAFFIC INSURANCE.

Millions of consumers have seen this seal in Kodak's biggest TV and print advertising campaign ever for photofinishing, and they're looking for retail outlets that display it.

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Discounters Refine Hardware Mix to Better Serve Women

Nationwide DSN Report

Discount department store merchants are retooling their hardware assortments to better serve women shoppers.

The new emphasis calls for discounters to offer simpler do-it-yourself or fashion-oriented merchandise that relies on improved how-to information and four-color packaging to help make the sale.

For full-liners, sales were relatively flat for the latest completed year, projected to total $5.0 billion by the end of this year. Sales per sq. ft. will total $186.42.

Overall, discounters are just about holding the line on floor space devoted to the various hardware classifications.

The latest average figure for discount department store hardware departments was 3,240 sq. ft., up slightly from last year's 3,210 sq. ft.

Admittedly, this courting of the female shopper is, in part, a response to the full line discounters' loss of their DIY business to home centers.

Today, few full line discount chains besides K mart and S. E. Nichols are in the home improvement business. Although, Nichol's has increased its assortment and selling space to 20,000 sq. ft., up by 3,000 sq. ft.

Merchandise Strategies

Thus, for most discounters selling hardware items, the merchandise strategies reflect chains' recognizing that in plumbing, for example, women will buy a toilet-repair kit but will not attempt repairs "below the waterline."

Thus carded programs, with easy to understand instructions have replaced bins of contractor-oriented plumbing parts.

Discounters are focusing on impulse-oriented items like batteries, bulbs, small hand tools and fuses. And, they're using displays designed by vendors to catch the customers' attention.

Where they had shunned them before—preferring to standardize assortments with chainwide planograms—chains like K mart, Caldor and S. E. Nichols have fitted vendor displays onto the shelves to help tell a product story.

Discounters are also looking for vendors to help execute the sell-through with packaging that is both eye catching and educational, adequately explaining product usage to an inexperienced do-it-yourselfer. With the spotlight on packaging, discounters have signalled to shoppers, and vendors, they are in business to deliver more than price.

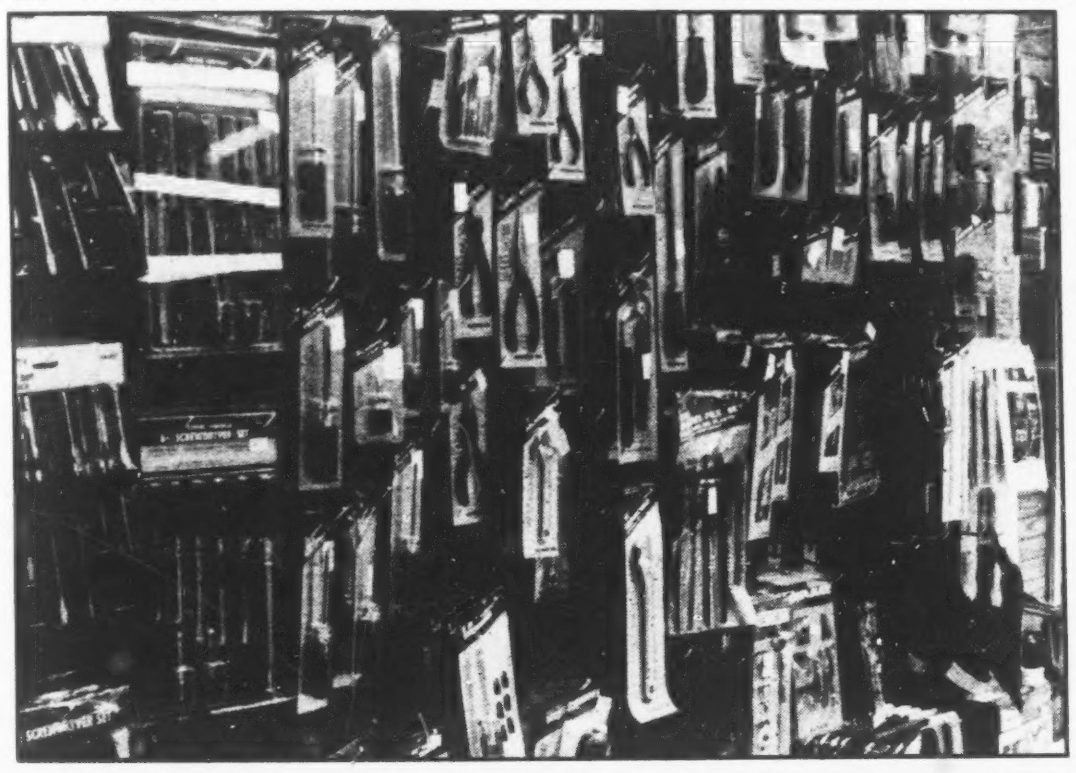
Better packaging has proven to have another benefit for discounters. By the beginning of this year, many of the largest vendors were printing bar codes on labels, enabling retailers to manage stock with scanning.

One area where packaging changes have made a difference in discounter hardware presentations is in fasteners, a long standing department basic. (K mart has devoted up to 7% of the space in its hardware departments to this category.)

Among the other basic hardware categories pitched at women shoppers is home security products. To help sell the category—formerly scattered throughout the store—related items are now merchandised in a home security section.

Jamesway, for example, devoted 16 ft. to the category focusing in on night lights, fire extinguishers, smoke detectors, rechargeable lanterns, flashlights, timer lights and door and window locks.

Ames allotted 12 ft. and concentrated on smoke detectors, fire extinguishers, security chests and safes.



Imported hand tools are dominating many discounters' mixes. The tool wall at an Atlanta Richway store is typical, with a broad mix of carded merchandise from import distributors. (DSN photo)

Hardware $5.1 Billion	
Full Line Discounters	$5.0B
Catalogers	$0.2B
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$5.0B
Sales per Store	$604,400
Dept. Size	3,240 Sq. Ft.
Sales/Sq. Ft.	$186.42
Turns	2.3
Initial Markup	39.8%
Gross Margin	29.1%

Source: DSN research

"WHEN IT COMES TO SELLING FORMBY'S, YOU HAVE MY COMPLETE SUPPORT."

Homer Formby

A lot of do-it-yourself projects wind up being did-it-yourself disasters. That's why I developed the Formby's Support System. It guarantees your customers will get great results when they use Formby's products. And that's good for you, too. Because a satisfied customer is one who comes back for more.

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Here's how the System works: First, I'm introducing the "Homer Help Line"—a toll-free, nationwide 800 number. When your customers have a question about one of my products, they can call 1-800-F-O-R-M-B-Y-S seven days a week, and speak with a professional who will talk them through to beautiful results. So when you sell Formby's, you're selling customer service, too.

With Formby's, there's always a happy ending.

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Earn a degree in refinishing.

Third, I'm offering The Formby's University Training Program. Your employees are invited to attend and learn all about Formby's products, and how to give in-store demonstrations—a terrific way to show and sell.

Why am I doing all this? Because no one cares more about his customers or his dealers than I do. That's why I'm expanding my industry-leading support program of network television, exciting consumer promotions, and strong trade incentives. No one does more to sell products through to consumers than Formby's.

The system works in your favor.

Remember. When you recommend Formby's products, you're sure never to have a dissatisfied customer. Because Formby's products are the only ones backed by the new Formby's Support System. And you know what they say. You can't beat the system.

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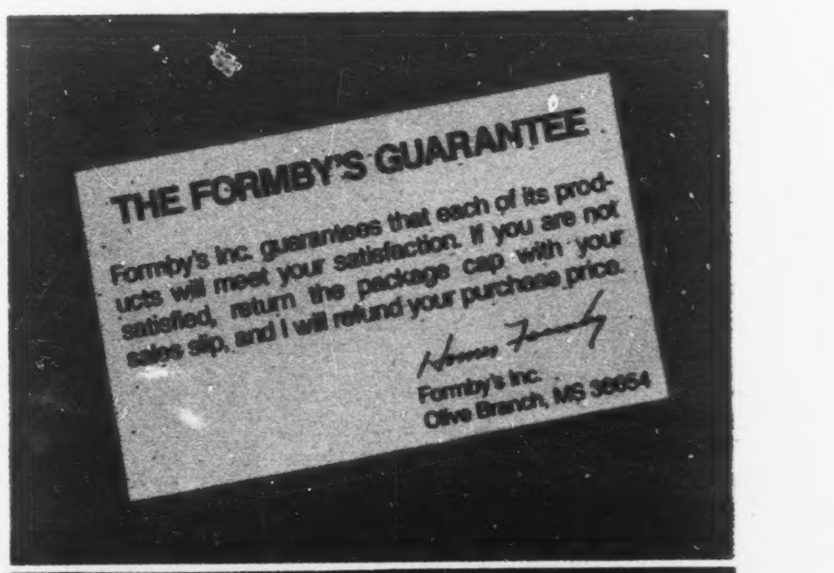

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Formby's Inc. guarantees that each of its products will meet your satisfaction. If you are not satisfied, return the package cap with your sales slip, and I will refund your purchase price.

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Large-Size Containers, PL Programs, Still Drive Paint Sales

Nationwide DSN Report

Full-line discounters continue to search for new avenues to paint department profits using the hardware department category as a wedge into the fashion side of home improvements.

While some discount chains such as Wal-Mart have recently experimented with custom color mixing—an expensive, labor-intensive decision; other full liners, such as K mart, have been investigating large size containers—two- and five-gallon cans—as a way of carving out a distinctive, and less competitive, niche in the market.

Overall, paint departments are expected to generate about $1.6 billion through the end of this year; this amounts to about $200,000 for each full-line discount department store.

The Goal

The goal with large-size containers, as with private label programs, is to offer sharp, commodity pricing while reducing the ability of shoppers to make price/item comparisons at the competition.

Although, discounters admit that the down side of this strategy is the sheer weight of the cans, which can imperil gondola shelves, and which can daunt women shoppers.

Still, the department's reigning margin strategy—to agressively promote paint while holding the margin line on accessories—remains relatively unchanged.

Initial markups for the area are expected to hover around the 44% mark this year, while gross margins will clock in at about 36%. The relative health of this category comes from brisk sales in accessories. On the paint itself, however, buyers noted that profits can often disappear into the netherworld of the single digit.

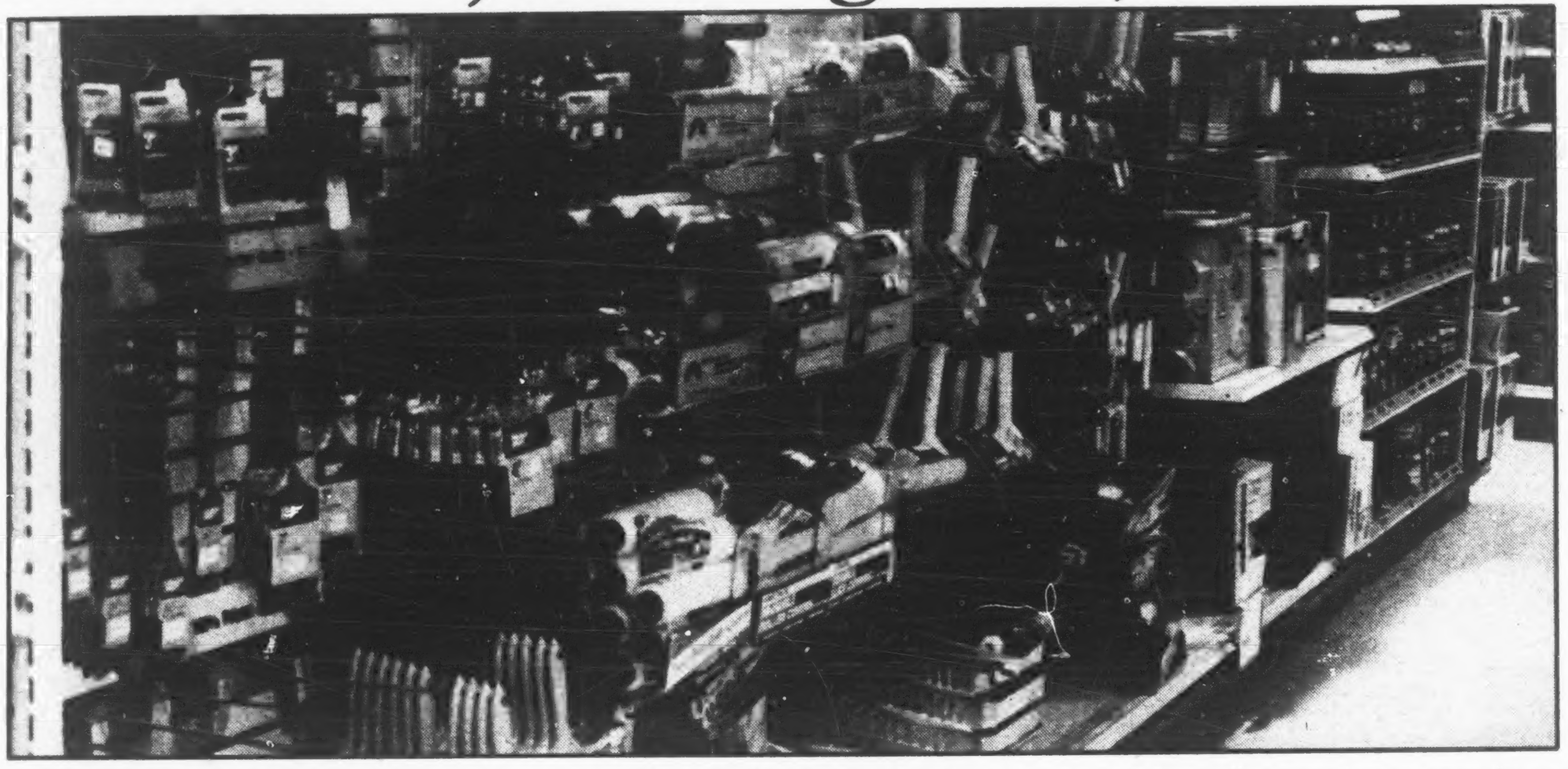
Competitive Pressures

Even private label programs, while affording some margin relief, have not been immune from competitive pressures. Chains which use the house brand as an opening price point in a good, better, best trade-up assortment often squash private label everyday prices, along with the national brand, to generate traffic.

In a recent ad, Columbus Ohio-based Harts marked its private label paint down to $5.99 a gallon, from an everyday price of $8.49. In the same circular, Harts also promoted Lucite brand paint at $7.99 a gallon, down from $9.99 everyday.

Additionally, discounters have had to battle a wave of coupon/rebate mania to make money in this area.

Gold Circle, for example, was among the chains who recently touted national brand paint at nearly one-third off with a rebate offer on Lucite white latex paint. The manufacturer's rebate dropped the retail from $8.99 to $5.99 on a one-gallon can.



In paint sundries, better packaging and coordinated displays are helping discounters convince customers of quality. An Atlanta Richway store presents a broad assortment of brushes and rollers.

Paint $1.6 Billion	
Full Line Discounters	***$1.6B***
Catalogers	***NA***
Specialty Discounters	***NA***
Full Line Discount Store Productivity	
Sales	***$1.6B***
Sales per Store	***$193,400***
Dept. Size	***1,200 Sq. Ft.***
Sales/Sq. Ft.	***$160.83***
Turns	***2.5***
Initial Markup	***43.8%***
Gross Margin	***36.3%***

Source: DSN *research*

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Patio Furniture, Gas Grills Lead Lawn and Garden Sales

Nationwide DSN Report

The seeds of fashion and luxury have sprouted in lawn and garden departments, as discount department store merchants continue to concentrate on high-ticket patio furniture and full-feature gas grills.

At many chains, the move toward lifestyle merchandise and presentations is at the expense of gardening.

But the payoff is clear: Some chains are successfully moving up in price points and have yet to find the ceiling for a few categories.

Paced by grills and outdoor furniture, lawn and garden department sales are continuing to grow for discount department stores.

While still experimenting with higher price points in the luxury categories, low prices sometimes remain the key to sales for some goods.

Stick goods such as hoes and shovels, for example, are price-driven. Especially as new home owners buy a number of tools at once. Therefore, low-priced imports make up about 10% of the assortment.

Discount department stores are clinging to an estimated 43% market share of the lawn and garden business. The segment is currently losing market share as other retailers make larger sales gains.

Sales Rise

For example, chain stores and mass merchandisers' sales of lawn and garden equipment rose 123.7% from 1979 to 1986, according to Greenridge & Associates, a market research firm in Evergreen, Colo. However, the home center, hardware store and lumber yard segment posted sales gains of 138.5% during this period.

Virtually all retailing segments have enjoyed success with grills, and these sales are expected to remain hot.

Gas grills are the big sellers, but are not always the only star of the category.

Covered charcoal grills have made an unexpected comeback in scattered markets. Some buyers attribute the resurgence of interest in charcoal grills to prices that are much lower than the tickets for gas models.

A survey of recent circulars revealed that discounters are offering grills priced at close to $200, although they featured models at under $100.

Target offered an Arklamatic dual burner gas grill with automatic ignitor for $89.99, down from a regular price of $119.99. A more fully featured Arklamatic grill was marked down from $179.99 to $134.99.

Zayre advertised a Sunbeam post grill for $116, marked down from $149.99, and a Structo deluxe grill for $197. The discounter hits a low price point with a Sunbeam post gas grill for $79.84.

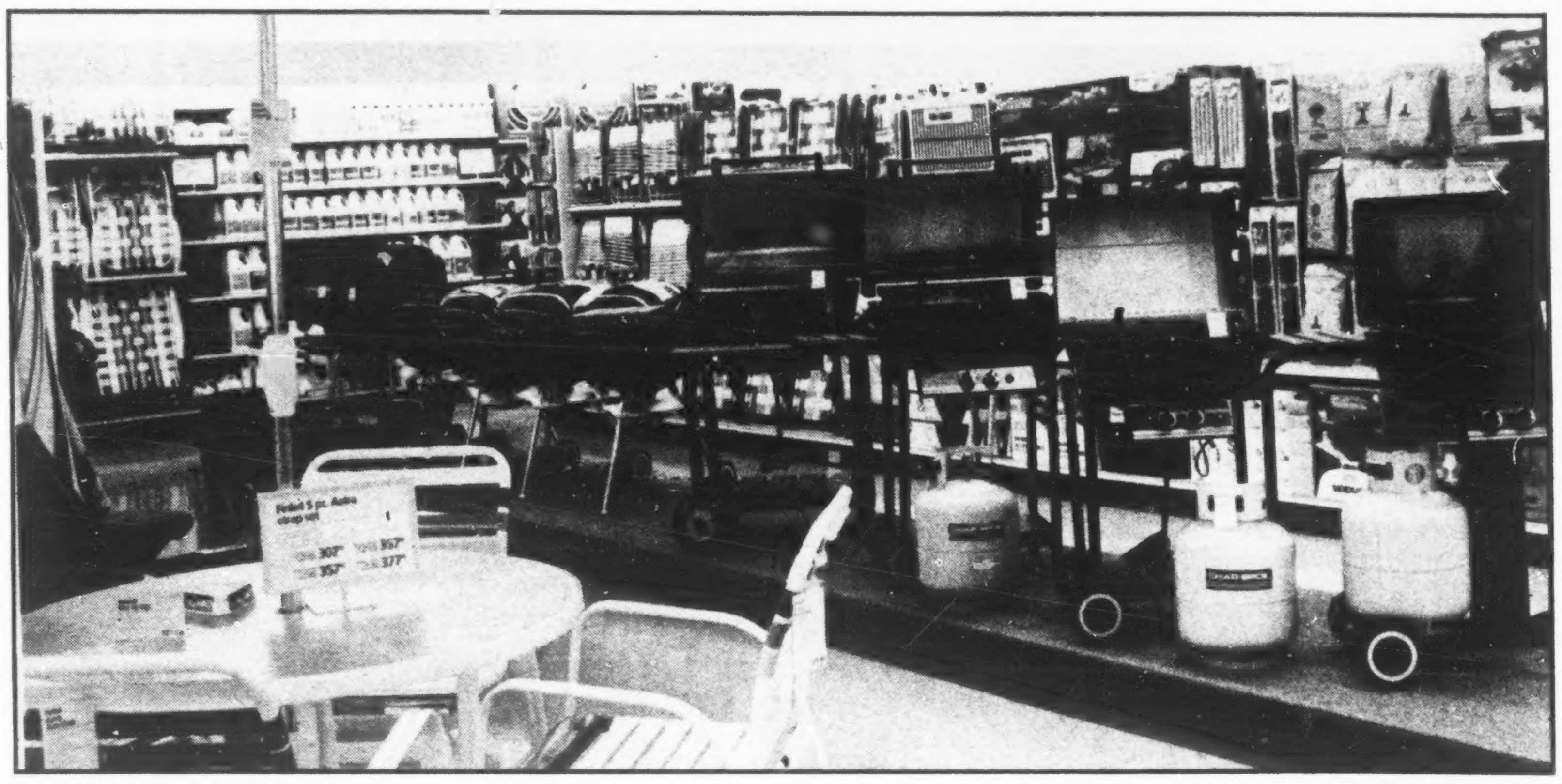
Gold Circle recently advertised The Turco Futura Magnum gas grill at $199.88.

In lawn furniture, PVC-coated metal furniture is still popular, and, the demand for redwood is declining. Many chains are continuing to add lines, often choosing to stock more high-end merchandise.

Target advertised the Sun Terrace patio table and four chairs, with aluminum frames and vinyl strapping, for $119.95, down from a regular price of $159.95. A wrought-iron mesh set with table and four chairs was marked down from $199.95 to $149.95.

Venture offered a five-piece set with glass topped table and aluminum chairs with cushions for $229.99 on ad. An umbrella is optional for $89.99.

At Gold Circle, recent ads offered a Baypoint patio set with table, four cushioned chairs and umbrella for $399.88, about $200 below suggested retail.



Big ticket, fully featured gas grills are hot sellers and charcoal grills have bounced back in some markets. Gemco, Rowland Heights, Calif., carries full lines of both types of grills. (DSN photo)

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Presenting the IBM 4730 Personal Banking Machine. It can help stores authorize customer checks.

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What's more, by taking check authorization out of your checkout lines, the IBM 4730 increases cashier productivity, reduces customer waiting time and frees up the store manager.

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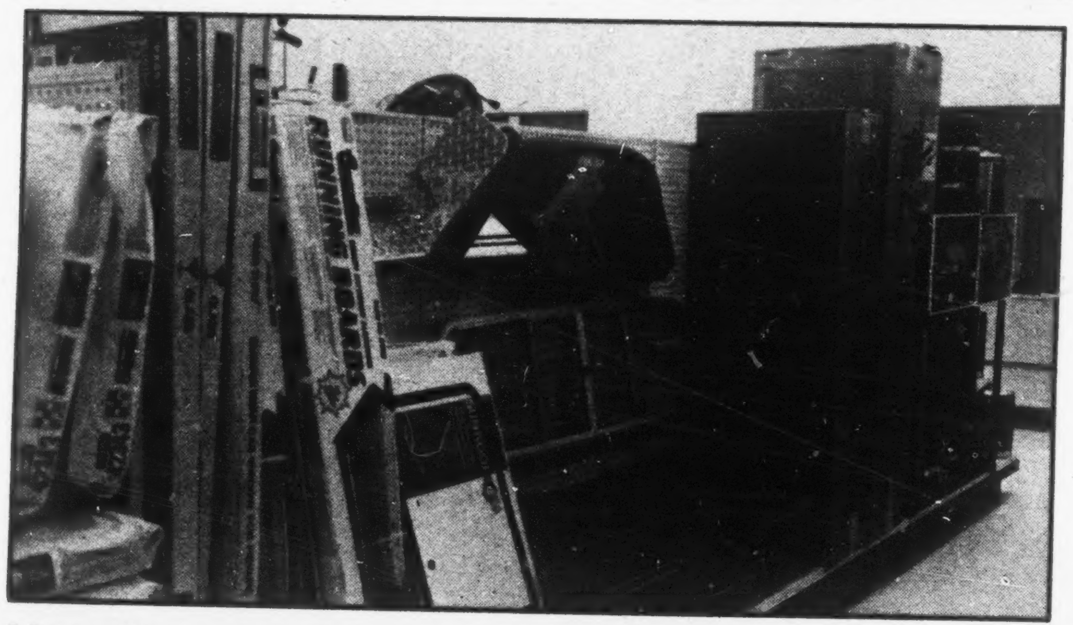


Many discounters are establishing special sections for hot-selling truck accessories. Venture, Bridgeton, Mo., features running boards, sliding rear windows and cross bed tool boxes. (DSN photo)

Lower Gas Prices and Terrorism To Fuel Car-Care Product Sales

Nationwide DSN Report

This summer's projected increase in domestic travel should boost sales of car-care products.

Americans are expected to log more miles than usual in the family car this year for two reasons: Cheaper gasoline and an unwillingness to chance trouble with terrorists abroad.

Amoco Motorist Club has reported an upswing of more than 17% in trip routing requests, one indication that business could improve in automotives. And, sales of some automotives products could rise in rough proportion to the increase in motor trips.

To meet stiffer competition from auto aftermarket discounters, full-line discounters are cutting automotives prices, trimming assortments and boosting imports. Often, full liners are simply weeding out higher-priced goods, especially in waxes and polishes.

The slimmed-down result is part of a back-to-basics movement that makes the auto department in a discount department store easier to shop.

Glosser Brothers, for example, has already trimmed its wax assortment and plans further reductions. The reasoning here as at other chains is to free up inventory dollars and shelf space—and make product selection easier, especially for the novice customer.

Among the categories full line and specialty discounters have mined are pickup truck and four-wheel drive vehicle accessories.

White-collar buyers have joined the traditional blue-collar market for pickups—pushing light truck sales to 20% of the total for all new vehicles.

Thus, Zayre, for example, which typically picks its spots in auto and hardware rather than taking out all the stops in the department, has been selling a pickup truck tool box for $76.66 on ad.

Considerable Reduction

Discounters can beat new car dealer's prices by as much as 50% or more on the accessories that both sell. One chain executive pointed to a pass-through rear truck window as an example.

G. I. Joe, based in Wilsonville, Ore., has tinkered with a new layout for truck accessories. In the company's Tualatin Ore., store, G. I. Joe has moved truck accessories from gondolas to wall displays.

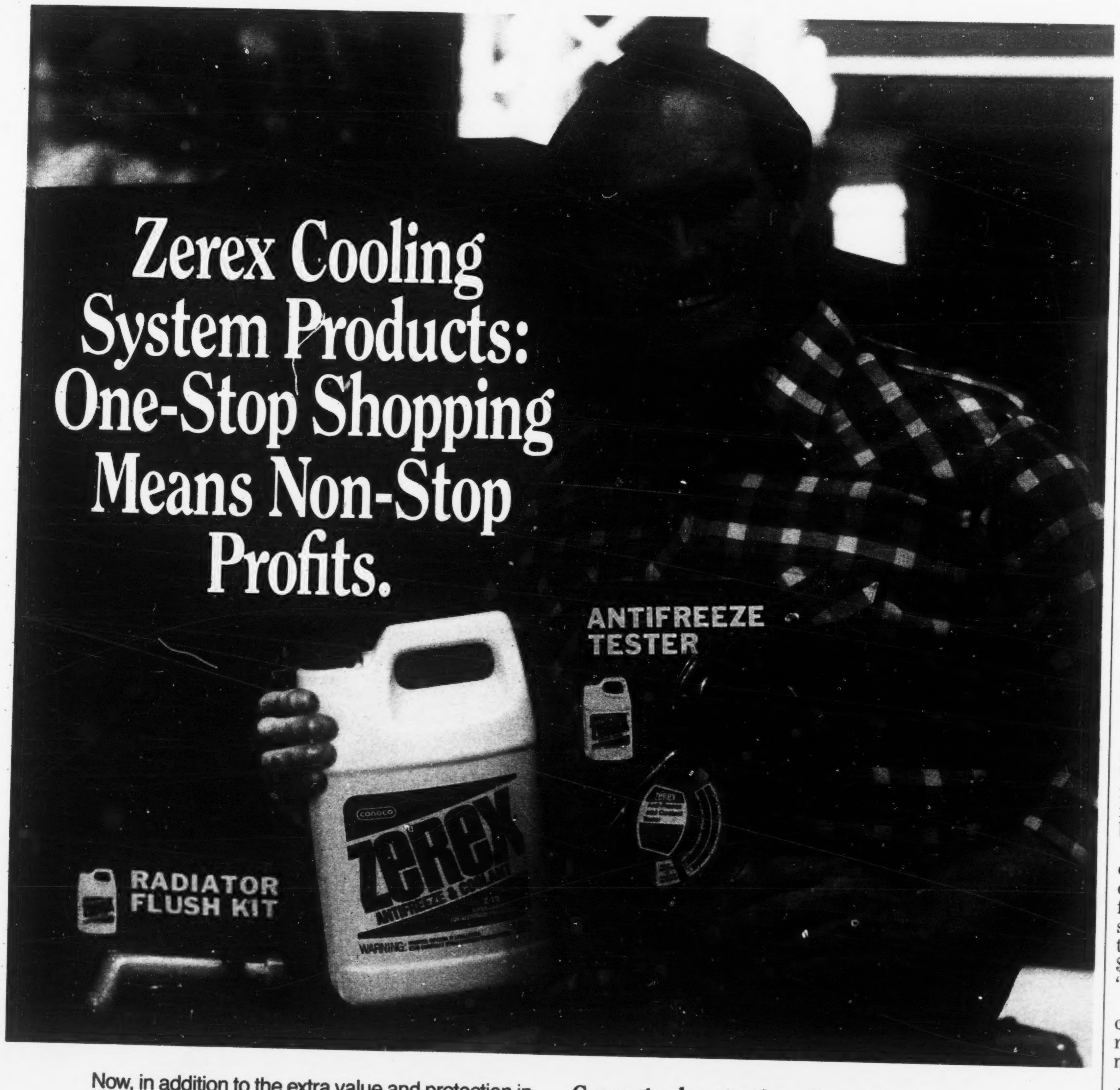
Gold Circle responded to the interest in truck accessories by increasing the store truck areas from 16 ft. to 20 ft., and offering tool boxes, floor mats and running boards.

Target devoted most of a circular page to light truck accessories, including mini and full running boards for $39.99, side rails for $39.99, pass-through rear window for $34.99, tool box for $69.99 and "tuff" chest for $39.99.

However, such heated up competition in truck accessories is expected to drive down margins in the future.

Automotives $9.6 Billion	
Full Line Discounters	***$5.4B***
Catalogers	***$0.1B***
Specialty Discounters	***$3.9B***
Full Line Discount Store Productivity	
Sales	***$5.4B***
Sales per Store	***$689,000***
Dept. Size	***2,320 Sq. Ft.***
Sales/Sq. Ft.	***$296.98***
Turns	***2.6***
Initial Markup	***34.1%***
Gross Margin	***25.7%***

Source: DSN *research*



Zerex Cooling System Products: One-Stop Shopping Means Non-Stop Profits.
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RADIATOR FLUSH KIT
ZEREX

Now, in addition to the extra value and protection in Zerex with Z-12 silicates, Conoco has introduced an expanded line of cooling system care products.

Easy care for easy sales.
Zerex Radiator Flush Kits and Zerex Antifreeze Testers are as easy to sell as they are to use. Complete with "how to" information, your customers will appreciate the convenience, as well as the quality, of the full line of Zerex cooling system products.

Conoco rebates for added value.
Here's a rebate offer that's sure to appeal to your cost-conscious customers. Conoco is offering a choice of $12 off on a black racing jacket, or $6 off on an expandable sports tote bag. Your customers also can choose a cash rebate on a one or two gallon purchase of Zerex.

Guaranteed protection. Guaranteed support.
Your customers can count on Zerex Antifreeze for protection against winter freeze-ups and summer boilovers. And thanks to Z-12 Super Silicates, they get added protection against rust and corrosion. It's guaranteed on every gallon of Zerex when used as directed.

You can count on the support you'll get from Conoco. Top-of-mind TV, in-store displays, rebates and premium offers, and a multi-media co-op program make selling the #2 premium Zerex Antifreeze easier. And with the added line of cooling system products, making higher profits is easier, too.

CONOCO®

Dinnerware, Microwave Cookware Fuel Housewares Sales

Nationwide DSN Report

Discounters are trying to squeeze more from their already high-achieving housewares classifications as competition gets tougher in this mature industry.

Giving discounters a head start, housewares manufacturers held prices this year.

Microwave cookware, one of the hottest growth categories in housewares, is winning more and more space on discounters' shelves. Pictured here is Clover, Lancaster, Pa. (DSN photo)

As a result, the trade up in dinnerware, and the expansion of storage, microwave cookware and ready-to-assemble furniture should fuel retail sales and gross margins. All three of these classifications continue last year's back-to-basics approach.

One of the most promising categories for '86 is storage. Mass merchants have long overlooked this lucrative category, leaving the business to the more aggressive specialty shops and home centers. But, as new homes and apartments continue to be downsized and housewares volumes are pressed for growth, the discounters can no longer afford to ignore this category.

Across the country, closet and storage shops have sprung up in housewares, linking together products previously merchandised throughout the store such as shoe racks in hardware and bath caddies in domestics. These new shops often act as attention-getters with their up-to-date fashion presentations. High-tech and color statements breathe new life into dull pegboard displays of hangers and wire goods.

But more importantly, these fashionable new shops are quite profitable. They feature items with higher-than-average housewares margins, despite their usually low price tags. Moreover, the customers find it hard to compare prices because this merchandise is generally "blind."

Buyers said dinnerware, too, can be a profitable category because it is "blind." However sales have been sluggish over the past few years.

One explanation for the downtrend was that consumers were buying identifiable patterns and keeping their sets longer. This resulted in a demand for recognizable patterns and tough price competition that hurt retail margins.

To combat the soft sales, vendors like Pfaltzgraff, Newcor and Anchor Hocking have introduced higher priced stoneware sets for discount customers. These new patterns reflect the graceful florals and fashionable pastels of the more expensive dinnerware lines but carry a lower price ticket.

One Midwestern discount chain has found a winner with a 20-piece set from Newcor—retailing for $34.99. Although it was the most expensive set this store carries, it was a bestseller shortly after it hit the shelves.

Microware Heats Up

Another classification heating up is microwave cookware. Consumers have expanded the use of their microwaves from just defrosting to a full range of cooking. Additionally, the increased volume of small microwave ovens has aided sales of the cookware.

Retailers have established good, better, best programs working with fewer vendors than they previously did. Unusual items are skillfully cherrypicked from the infinite number of manufacturer lines shown today. Disciplined buying is the key, noted the merchandisers.

Specialty cookware, such as bacon racks and meat searers, have the best growth potential. Multi-purpose cookware also has a niche. Aimed at consumers with limited kitchen space, these products function in both the conventional and microwave ovens as well as freezers.

Lastly, ready-to-assemble furniture is another attractive market that discounters have entered. Buyers said sales should grow by 25% this year over last. The most successful retailers have been displaying the furniture in room settings.

Housewares $7.4 Billion

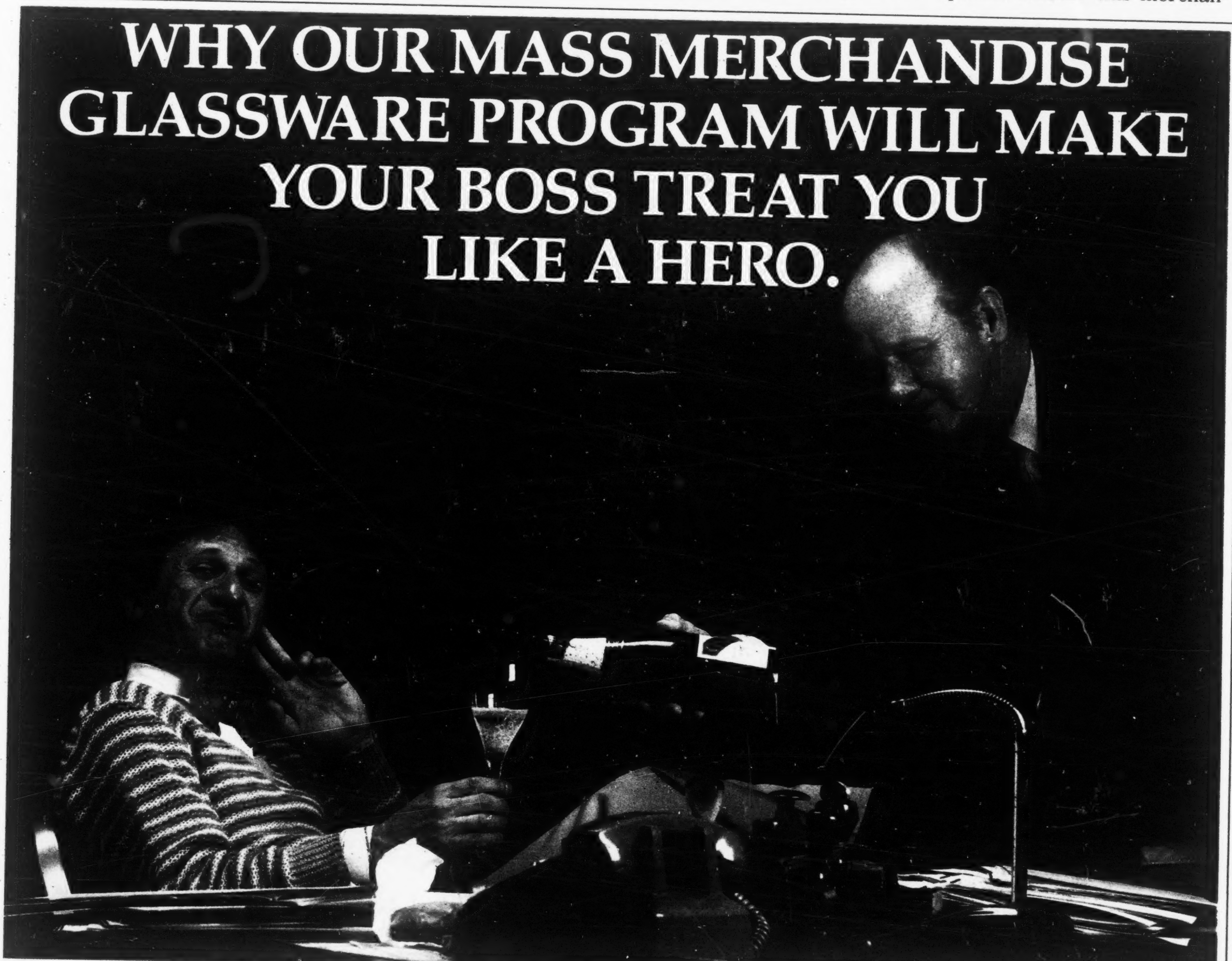
Full Line Discounters	$6.8B
Catalogers	$0.6B
Specialty Discounters	NA

Full Line Discount Store Productivity

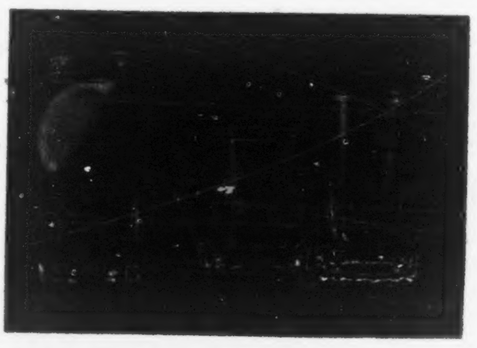
Sales	$6.8B
Sales per Store	$822,000
Dept. Size	5,760 Sq. Ft.
Sales/Sq. Ft.	$142.70
Turns	3.3
Initial Markup	42.2%
Gross Margin	32.3%

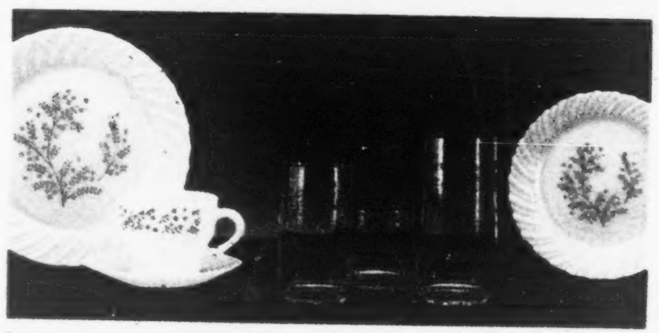
Source: DSN research

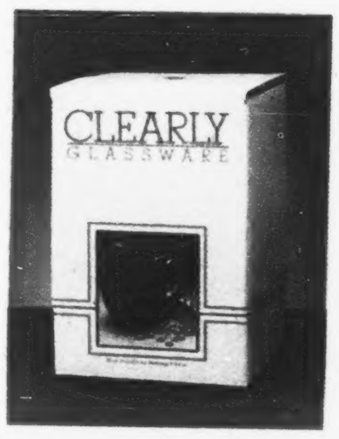
WHY OUR MASS MERCHANDISE GLASSWARE PROGRAM WILL MAKE YOUR BOSS TREAT YOU LIKE A HERO.



As the glassware market continues to evolve and become more competitive, mass merchandiser top management is looking to their buyers to identify and consolidate into their programs glassware resources that can serve the specific needs of mass marketers, all of whom have one thing in common—a strong competitive need for the most marketable, profitable products they can find. *"Clearly" from Crisa was created just for you.* "Clearly," a comprehensive glassware line of nearly 100 SKU's, covers every key glassware category including barware, serveware, dinnerware, florals and specialty items. In addition, we offer a full line of opal borosilicate mugs and bowls. ***"Clearly" is more than just products.*** Because we know that your boss is looking for increased volume and profits in glassware, our "Clearly" line is backed up with solid sales support including strong consolidated packaging, an equitable discount structure and strong promotional pricing. And our entire program is supported by the capabilities of Crisa, one of the world's glassware giants. *Find out for yourself.* Put us to the test and discover why Crisa should be your #1 glassware resource. Then make sure the boss has plenty of champagne on ice. ***Ask your Crisa rep about our promotional items & pricing!***







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Fashion Colors, Cordless Units to Drive Personal Care Biz

Personal Care Appliances $3.0 Billion	
Full Line Discounters	**$2.8B**
Catalogers	**$0.2B**
Specialty Discounters	**NA**
Full Line Discount Store Productivity	
Sales	**$2.8B**
Sales per Store	**$338,400**
Dept. Size	**800 Sq. Ft.**
Sales/Sq. Ft.	**$422.50**
Turns	**3.5**
Initial Markup	**30.6%**
Gross Margin	**21.4%**

Source: DSN research

Venture, Bridgeton, Mo., displays replacement items like electric toothbrush heads and air cleaner filters adjacent to personal care appliances for tie-in sales. (DSN photo)

Nationwide DSN Report

Personal care sales volume fell slightly behind last year's total despite good gains in home health care products. The promotional activity in basics personal care ate at the overall volume while boosting the turns somewhat.

Retailers were hopeful that 1986 will end as a more profitable year. They looked to continued movement of colored basics and home health care items to balance out the highly promotional basics.

In particular, retailers anticipated sales of home health care products to grow by 20%. Lower prices and easier-to-use merchandise should drive the category this year. Additionally, changes in Medicare policies (that now require equipment under $100 to be bought instead of rented) will play a major role too.

Retailers are reacting by expanding their assortments and increasing promotions. Lechmere, for example, recently promoted two items in a flyer. The Sharp blood pressure kit was marked down to $59.88 from $74.99 and the Sharp digital thermometer retailed for $7.88, from $9.99.

Not surprisingly, some merchants have already seen results. A few retailers said lower-ticket blood pressure machines have picked up dramatically, suggesting first-time purchases. At L. Luria & Son, a $9.99 monitor has moved more than the rest.

Niche-marketing in basics, such as targeting the men's market with sleekly-styled hairdryers and the young women's market with hot new colors, will continue to pump up unit volumes in basics. Pastels are expected to be the next big draw for the fall.

One East Coast discounter explained that these products help increase the market share since individuals are buying these items for themselves. Specifically, retailers have found that the bright colored hairdryers appeal to the teenage girl market.

Last year, men's lines did well. Black & Decker offered its Black Tie line while Norelco presented Man Care Collection and Windmere featured Brut for this audience.

Overstocking Possible

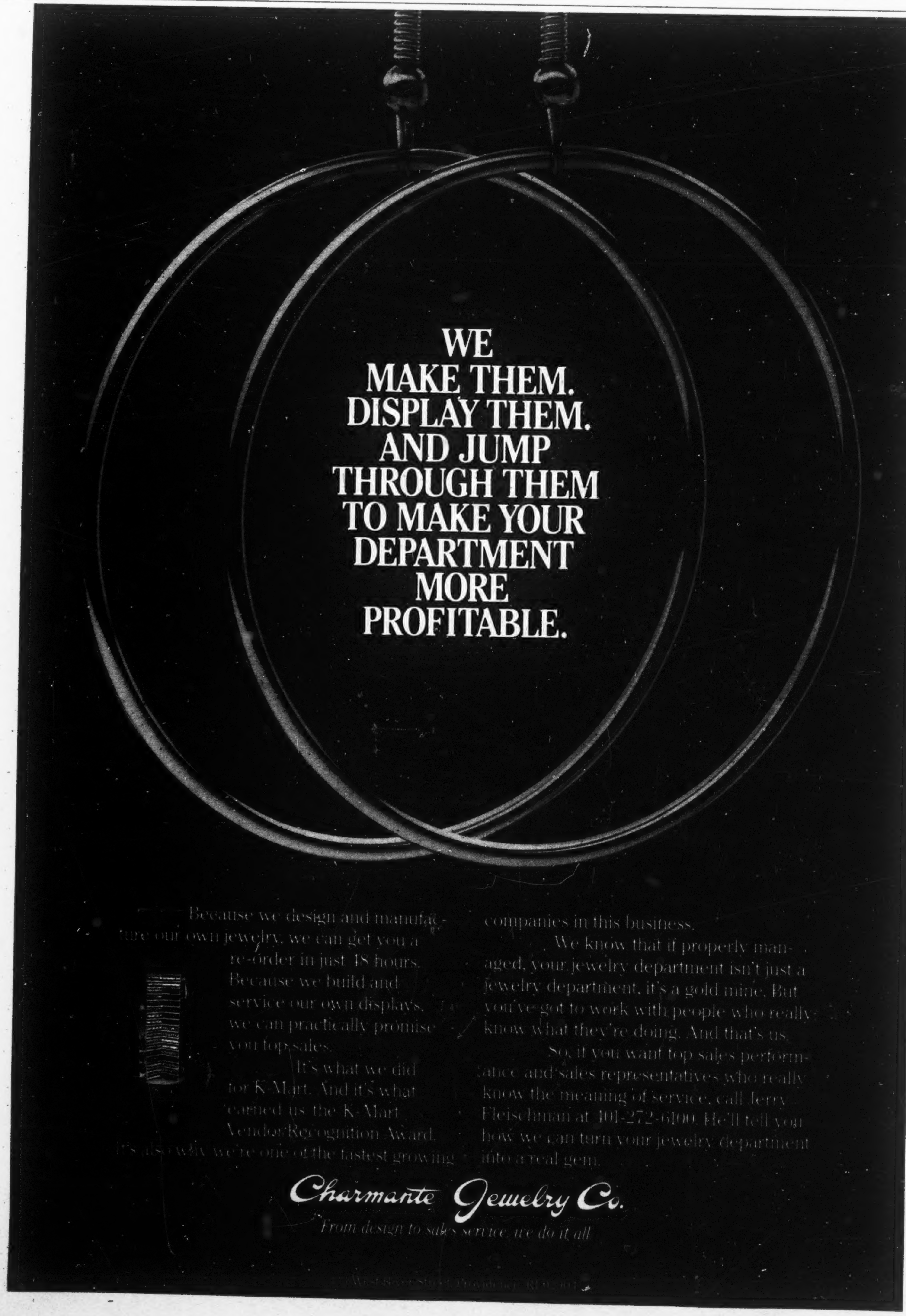
But despite the attraction of these items, a K mart buyer cautioned that retailers can carry too many colored products and might get stuck in an overstock position. Moreover, other retailers noted that the business gained from colored products is being traded off in basics. Similar to last year, buyers predicted that the lower-priced basics will continue to outsell the newer colored items this year.

Typical of how low prices can go, is an ad from ShopCo, which displayed SuperMax curling irons at a final price of 99¢ in a recent circular. The promotional price was $4.99, down from $5.99, and the manufacturer's rebate was $4.00.

Three other rebates were offered in the same ad: SuperMax dryers for a total of $4.99, Windmere curlers at $14.99 and Ronson razors at $9.99.

Lastly, retailers said the basics business will remain a name brand category. The four leading brands at the discount stores are Conair, Clairol, Norelco and General Electric.

Conair's market share was as little as 34% in the West to as much as 47% in the North Central region. This compared with the next leading brand, Clairol, which had as little as 22% in the South and as much as 47% in the West. Norelco has as little as 17% in the Northeast and as much as 45% in the North Central while General Electric has as little as 21% in the West and as much as 40% in the South.



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Because we design and manufacture our own jewelry, we can get you a re-order in just 48 hours. Because we build and service our own displays, we can practically promise you top sales.

It's what we did for K-Mart. And it's what earned us the K-Mart Vendor Recognition Award. It's also why we're one of the fastest growing companies in this business.

We know that if properly managed, your jewelry department isn't just a jewelry department, it's a gold mine. But you've got to work with people who really know what they're doing. And that's us.

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From design to sales service, we do it all

Discounters Give Fashion Jewelry Department More Play

Nationwide DSN Report

Discounters are attempting to sustain excitement in fashion jewelry with a broad range of styles and price points, while more aggressively pursuing their fine jewelry business as well.

One of the strongest fashion looks for fall is gold- and silver-plated necklaces, bracelets and earrings; price points will extend into the $15 range.

This bridge jewelry is mainly targeted at women aged 20 and older who want to supplement their 14-karat wardrobe with inexpensive but trendier items.

Previously, better fashion only played a very minor role in discounters' jewelry assortments; then, the focus was on more inexpensive pieces starting at 99¢ price points and topping out at about $7.

Other strong 1986 looks—with some modifications—were carryovers from recent seasons, including bright color palettes, rope necklaces, bold earrings and antique- and heraldic-look pins.

After skyrocketing to more star-like status as a very hot category for three years, fashion jewelry is now becoming a more stable discount store business. Retailers said they don't expect to enjoy the same fast-paced sales as in years past.

This leveling off is also expected to hold true in fashion watches, which have become a staple rather than a novelty in discount stores.

No New Trends

A K mart buyer said he is cutting out one of the five lines of fashion watches the chain carried. He pointed out no new trends in watches have surfaced to replace the look born with the introduction of the Swatch Watch about two years ago.

In response, several chains are now refocusing on their fine jewelry mixes, in a bid to recover some of the higher margin sales lost to the fashion business. One of their tactics is introducing some of the styling and color seen in fashion pieces into fine jewelry assortments.

Caldor is adjusting its fine jewelry mix to place a new emphasis on the middle and low end of the price spectrum. The chain is adding more color to its 14-karat area with onyx, ivory and more semiprecious stones like lapis. The pieces will retail in the $50 to $75 price range; the chain stocks gold neck chains and earrings priced up to $150.

The discounter is also changing its fine jewelry mix to lean more toward items priced at $50 and less. (At the same time, price ranges for fashion jewelry has risen at Caldor from $12 to $25 for items like manipulated chains combining lucite and metal or stones and metal.)

At K mart, 14-karat gold sales jumped 30% last year over 1984, and although the beginning of 1986 was slow, sales again shot up around Mother's Day, said a buyer.

(Continued on page 113)

ELRY
ACCESSORIES

In Marshalls' new prototype store in Bedford, Mass., jewelry was expanded and merged into a women's accessories section including handbags, hosiery, fragrances and hats. (DSN photo)

Jewelry $4.6 Billion	
Full Line Discounters	***$1.5B***
Catalogers	***$2.5B***
Specialty Discounters	***$0.6B***

Full Line Discount Store Productivity	
Sales	***$1.5B***
Sales per Store	***$181,300***
Dept. Size	***595 Sq. Ft.***
Sales/Sq. Ft.	***$304.20***
Turns	***2.1***
Initial Markup	***49.2%***
Gross Margin	***40.6%***

Source: DSN *research*

Guess who just made a big name even bigger?

Sarah Coventry®

Ask your customers who Sarah Coventry is, and 92% of them will be able to tell you – quality fashion jewelry. Attractive to look at. Attractively priced. Attractive to mass merchandisers.

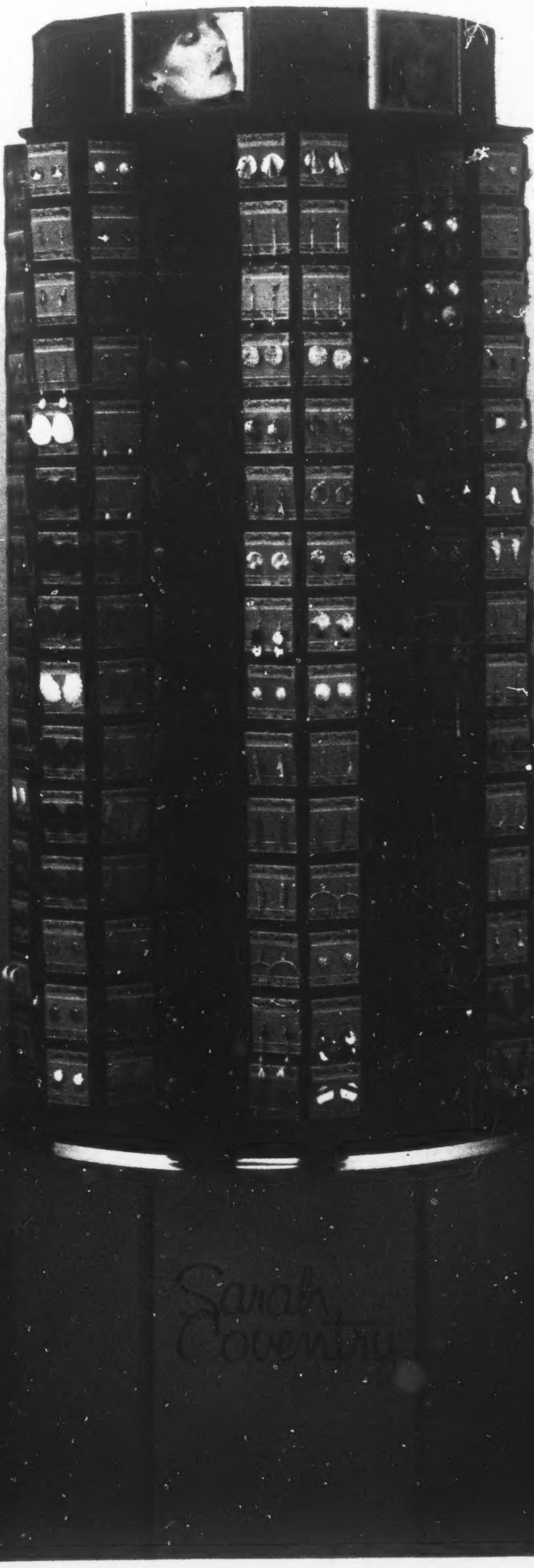
1. with free floor displays that take up a little bit of space. But make a big impression.
2. with earrings at key price points to bridge your low-end fashion goods and your 14 kt. gold.
3. with top quality and styling, U.S. made, all with a lifetime guarantee.
4. with preticketed merchandise.
5. with trouble-free servicing.
6. with a 7% ad allowance.
7. with free ad slicks and transparencies.
8. with "special" signs to announce your advertised sales.
9. with a bonus money program to protect your gross margin.
10. with more turnover than you ever thought possible.

It's a beautiful program.

For complete case histories and product information, call Jerry Drown, Vice President/Sales, Sarah Coventry Fashion Jewelry, 1-800-227-1416.

Sarah Coventry featured on such popular network TV shows as $25,000 Pyramid, Sale of the Century, Body [illegible]

p&b



Discounters Give Fashion Jewelry Department More Play

(Continued from page 111)

The strongest 14-karat gold sales are in chains, although the buyer noted an upsurge in gold bracelets, and some interest in sterling silver.

Gee Bee is testing the limits of its entire fine jewelry department with the introduction of more varied lengths, thicknesses and designs in its 14-karat gold chain offerings. For example, a quadruple herringbone chain was brought in last Christmas and sold out.

T.J. Maxx, the off-price specialty chain, sidelined the fashion jewelry business and instead launched a test of 14-karat and sterling silver jewelry in three stores. The test involves a limited assortment of chain necklaces, bracelets, charms and earrings in stores in Orange, Conn., and Sudbury and Peabody, Mass.

Several chains have been giving their entire jewelry department stronger positioning through changes in department layout and fixturing.

In its latest prototype store in Proctorville, Ohio, Heck's placed jewelry at the front of the store, adjacent to apparel, moving it out of photo and consumer electronics.

Marshalls, which unveiled its newest prototype in two stores in Bedford and Newton, Mass., gathered all accessory categories—jewelry, handbags, hats, hosiery, sunglasses and fragrances—into one department.

The number of showcases devoted to fine jewelry was increased to 10 in the Bedford store, about double the number in other Marshalls units.

The recent changes in department layout and assortment suggest retailers's confidence in the ongoing strength of both fine and fashion jewelry in their stores.

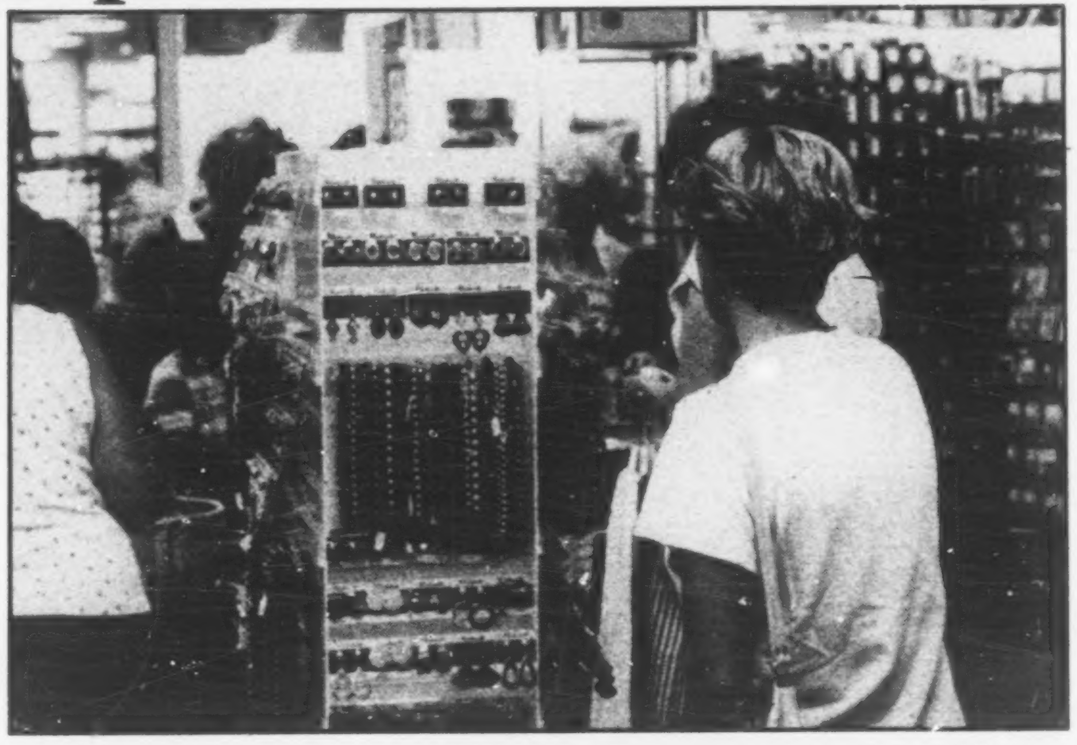
Industry observers point out department store jewelry looks have been filtering down to the mass market level faster than ever before—sometimes only a season or less later. They explain this is because jewelry design has begun to follow apparel trends in terms of color and style more closely.

Some of the fall fashion looks include:

- Gold- and silver-plated tailored pieces.
- Longer, 40-, 68- and 72-in. rope chains.
- Larger button, hooped or doorknocker earrings. Interest in extreme dangle earrings has fallen off.
- Fall brights in richer, deeper tones than previous seasons, such as jade, cobalt blue, red, pink and yellow.
- Neutral colors, including light and dark gray and taupe in addition to the usual black and winter white. The African influence will be apparent in wood pieces with splashes of jungle colors for accents.
- Darker colors like rust, plum, purple, dark blue, medium gray and forest green.
- Romantic antique-look and heraldic pins, in addition to pins decorated with rhinestones.

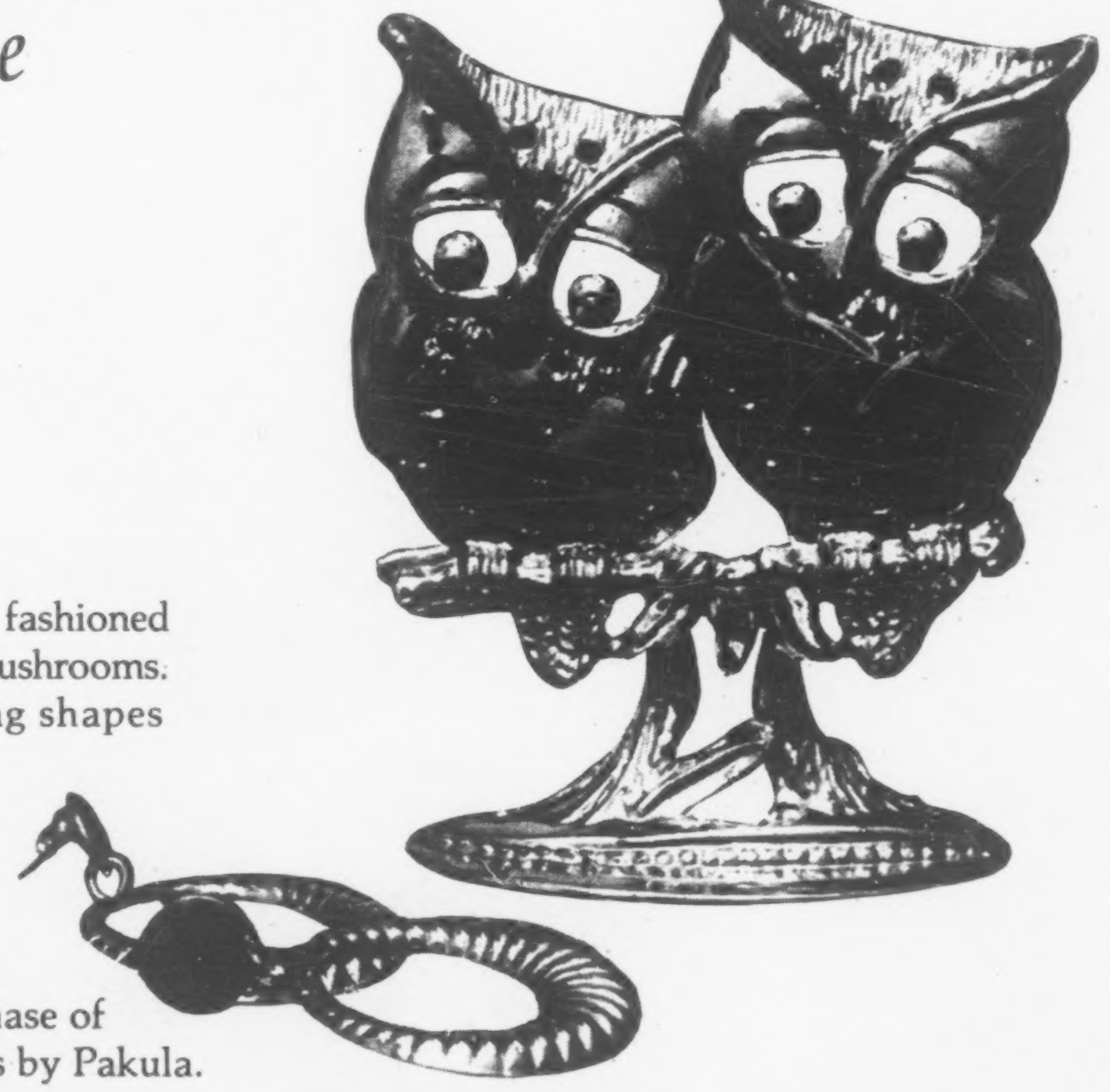
timex
timex
pulsar

The jewelry area in hypermarket Biggs in Cincinnati uses overhead signage to draw attention to nontrendy but pricier items such as popular branded watches and 14-karat gold.



Many of this year's hot styles in fashion jewelry, like beaded necklaces and button earrings seen at Clover, Lancaster, Pa. are expected to carry over into next year. (DSN photos)

This month,
Pakula would like to send you
some fashion jewelry salesmen
who never speak,
are 3½" tall,
and will be
irresistible
to your
customers.



They're earring trees fashioned as owls. Unicorns. Mushrooms. A dozen captivating shapes in all.

And we're offering them to your customers for only $1.00 with the purchase of two pairs of earrings by Pakula.

Sales-making promotions. Just one part of a multi-faceted program created exclusively by Pakula to fit your specific needs.

Expect something new every month. We intend to clog your aisles with customers!

Pakula & co. CHICAGO
166 The Apparel Center / Chicago, IL 60654 / 1-800-4-PAKULA

Every time you turn around,
there's something new from Pakula.

Rebate Mania, Promo Pressure Hurt Small Electrics Margins

Nationwide DSN Report

Discounters expect more traffic and better productivity for electric housewares in the coming year.

However, tight margins and rebate mania continued to plague the department.

Margins slipped during the past year to 21.3% from last year's 23.7%; turns improved slightly as a result, rising to 3.5 from 3.1 the previous year.

The pressure has forced discount department store operators to search for new veins to mine, and to rein in on inventory and assortments. Buyers saw no relief from the coupon-laden customer who has come to expect a hair dryer for next to nothing.

Among the categories discounters said offered some healthier alternatives were higher margin under-the-cabinet electric appliances.

More manufacturers have entered that market, and have given buyers some room to adjust their assortments and differentiate themselves from the competition. The hope was that this strategy would help eliminate price cutting on easily identifiable brands.

Among the most visible small electrics category that manufacturers have rushed into was the down-sized food processor, a category launched with Sunbeam's creation of the Oskar.

Generated Interest

That product generated enough interest in the category to increase total food processor sales from 2.5 million annually to 3.5 million.

In most regions of the country, microwave oven sales were cooking. However, on the trend-setting West Coast, buyers reported that sales were waning, a signal that the market could have reached saturation point.

For now, buyers said that falling prices will keep the category hot through year end, particularly in smaller, apartment sized units. By some estimates, small ovens will account for half the category's unit sales this year. But, with price points dipping below $90 on domestic models and under $80 on imports, there's not a lot of profit fat left over.

If discounters were able to find any margin relief in the category it was in microwave cookware accessories.

Discounters said that as a promotional item, the category kept strong traffic flowing into the store. Even as an everyday item, the cookware was a strong seller.

Elsewhere in electric housewares, the news, and some action was in Eurostyling. After several years as a department store staple, the look—most often expressed as a white trim and rounded corners finish—has begun to appear in discount stores.

The verdict on the importance of Eurostyling, however, was not unanimous, although K mart, Caldor, Wal-Mart, Target, Venture, Gold Circle, Gemco and Hills were currently selling Eurostyled electrics.

SATISFACTION GUARANTEED
$258.00
AS ADVERTISED
$2.00
Litton

The microwave oven category is benefitting from inexpensive compacts. Wal-Mart featured a moderately priced Litton Quick 'n Easy in a St. Louis market action alley. (DSN photo)

Electric Housewares $2.2 Billion	
Full Line Discounters	***$1.7B***
Catalogers	***$0.5B***
Specialty Discounters	***NA***
Full Line Discount Store Productivity	
Sales	***$1.7B***
Sales per Store	***$205,500***
Dept. Size	***850 Sq. Ft.***
Sales/Sq. Ft.	***$242.35***
Turns	***3.5***
Initial Markup	***31.7%***
Gross Margin	***21.3%***

Source: DSN *research*

People buy Precise™ rolling ball pens not only because they write smooth, write thin, write in brilliant expressive colors and write crisply through carbons:

they also have quality written all over them.
PILOT
precise
PILOT
precise
PILOT

One glance at the needle-like collar and your customers know that the Precise writes thin. But before the cap comes off they already know this pen says quality. We've spent millions of advertising dollars supporting that claim. You can count on us to keep that pressure on.

A rolling ball pen that comes in fine and extra-fine points and has everything your customers want, can only be the Pilot Precise. Only $1.19 each.

PILOT
precise™

Membership Warehouse Clubs Rewrite Chain Stationery Biz

Nationwide DSN Report

The discount stationery business has changed.

For the discount department stores, the emphasis has shifted away from filler paper and notebook basics to fashion/party goods and upscale, bigger-ticket greeting cards. Home office supplies, too, are playing a key role, but the rise of the membership warehouse club segment could soon erode discount department stores' hold on this market.

Among the signs of change were the insurgence of new party shops, featuring color-coordinated paper party goods and gift wrap, and new vendor supplied fixtures in greeting cards.

These display shelves—like what is seen in Hallmark and other card shops—are taller and shallower and adapted to the discounter's relatively small selling area; they allow the consumer to see the selection clearly.

The success of these reformatted departments have prompted some chains to further explore the upper reaches of the greeting card price range by testing an electronic greeting card writer. Wal-Mart, Heck's, Gee Bee and Prange Way were among the discounters testing the item.

Sales Increase

Overall, stationery sales are expected to increase by about 5%, to $2.3 billion through the end of this year, according to *DSN* research.

Zayre was one of the chains who recently restated its stationery department goals by reformatting the area in approximately four dozen stores. The new department, led by programmed paper party goods, is now highly visible at the front of the store.

In fact, the new emphasis at discount stores may be happening at precisely the right moment: The membership warehouse club operators are beginning to make serious inroads into the business.

The stationery department, heavily shopped by small business operators, currently accounts for approximately 10% of the membership warehouse clubs' total volume.

Last year, total volume of the warehouse clubs was under $4 billion; by the end of calendar 1986 it is expected to top $8 billion.

And, discounter market erosion may be accelerated by shifting membership policies at the clubs. Some warehouse clubs are currently considering less restrictive membership criteria.

This would mean previously ineligible consumers could soon end up going to the warehouse clubs to take advantage of the sharper prices.

While the average discounter has come to expect gross margins of about 42% on stationery items, the membership warehouse clubs stick to a 10% markup, which holds for the entire assortment.

While for discount formats the repeat business and traffic was in office supplies, writing instruments, paper and other office supplies, the membership warehouse operators make a considerable space and inventory commitment to furniture, typewriters, copiers, and cash registers as well.

Stationery $2.3 Billion

Full Line Discounters	**$2.3B**
Catalogers	**NA**
Specialty Discounters	**NA**
Full Line Discount Store Productivity	
Sales	**$2.3B**
Sales per Store	**$278,000**
Dept. Size	**1,875 Sq. Ft.**
Sales/Sq. Ft.	**$148.26**
Turns	**3.5**
Initial Markup	**47.4%**
Gross Margin	**41.6%**

Source: DSN research

School supplies, shown in K mart, Long Branch, N.Y., remain a staple for discounters. Buyers expect some gains due to a rise in the number of high school and college students. (DSN photo)

CALL NOW FOR TAX TIME SPECIALS
ELMER'S SCHOOL GLUE

They'll buy from you if you don't treat them like kids.

They're the booming market for home/office supplies–high income professionals who work at home and operate businesses that don't use commercial stationery suppliers.

They want a local, convenient source for office supplies, but won't settle for products designed for kids.

Profit from this affluent market by selling the line recognized and respected for quality for over 80 years.

Profit from a proven leader–ACCO. **The name that sells.**

ACCO products sell fast because of their built-in brand awareness. Over 90% of the 12,000 U.S. retail stationers carry ACCO products such as three-ring binders, report covers, staplers, fasteners, paper clips, even computer Information Processing Products.

Packaging that sells.

ACCO products are packaged to move. Bold graphics, see-through packaging and colorful displays add up to easy selling and increased impulse buying.

Seasonal promotions, point-of-purchase displays, sales aids, and ACCO's suggested Plan-O-Grams help increase customer traffic and sales.

They'll buy from you… again and again.

ACCO will suggest the product mix and promotions to help you capture their business. Call ACCO today at **1-800-323-7362.** In Illinois call **312-541-9500.** Ask for ACCO's National Sales Manager, Don Peterson.

ACCO.

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Cash in on the profitable home/office market with ACCO's full product line.

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DISKETTE HANGING FILES
DISKETTE HANGING FILES
DATA BINDER
DATA BATCH CASE

Chains Refocus on Basic Toys as New Item Excitement Disappears

Nationwide DSN Report

This year may be best remembered as a test of discounters' ability to generate consumer excitment in toys—using the same assortment as last year.

The top seller list had a few new items like M.U.S.C.L.E, Jem and Madballs, but also contained the familiar Pound Puppies, GI Joe, Cabbage Patch Kids, Masters of the Universe and Teddy Ruxpin—key performers from last year.

This assortment was expected to give discounters the ability to respond to hot products as they emerge later in the year. But, as a specialty store chain president pointed out, "You wish you knew from the first half what to look for in the second half, but so little goes on in the first half."

Overall, toy sales were sluggish early in the year. And with discounters delaying buying decisions for their fall programs until the last minute, it is almost certain that manufacturers will have problems meeting the orders placed for the fourth quarter.

Key Category

Action figures remain a key category. But discounters found it necessary to price promote at mid-year to generate sales. Gold Circle is selling $4.99 Masters action figures at two for $8 and $2.99 GI Joe action figures at two for $5.

In licensed plush, predictions that Fluppy Dogs, Wrinkles, Popples, Pound Puppies and Teddy Ruxpin would become more important as a category have been proven true.

However, sales of Popples showed the smaller, less expensive sizes account for more sales than the larger sizes with price points ranging from the high of $26.97 to a low of $19.97 on ad. The smaller sizes were offered for under $9.99. Similarly, the price point on Amtoy's 26-in., My Pet Monster was $29.97, Fisher Price's Puffalumps was promoted at $22.97, and Coleco's Wrinkles sold for $27.97. Teddy Ruxpin's price slipped. Child World offered it at an everyday price of $59.99.

Robotics continued to lose ground. For a while, robotics kept pace with action figures like Masters of the Universe and GI Joe, but successful lines like Transformers became the exception rather than the rule. Bradlees, for example, has cut prices on GoBots vehicles, figures and puzzlers by 33%. Gold Circle cut prices on all Transformers and GoBots by 25%.

In girls' dolls, Coleco continued to prove it can extend the life of its hottest property by using new names, costumes, identities and promotion. The Cabbage Patch Kids continued to prove they have staying power, contradicting predictions they would begin to fade in mid- to late-1985. K mart offered the standard Cabbage Patch dolls at $27, but Child World has listed the new Circus Kids CPK at $36.99.

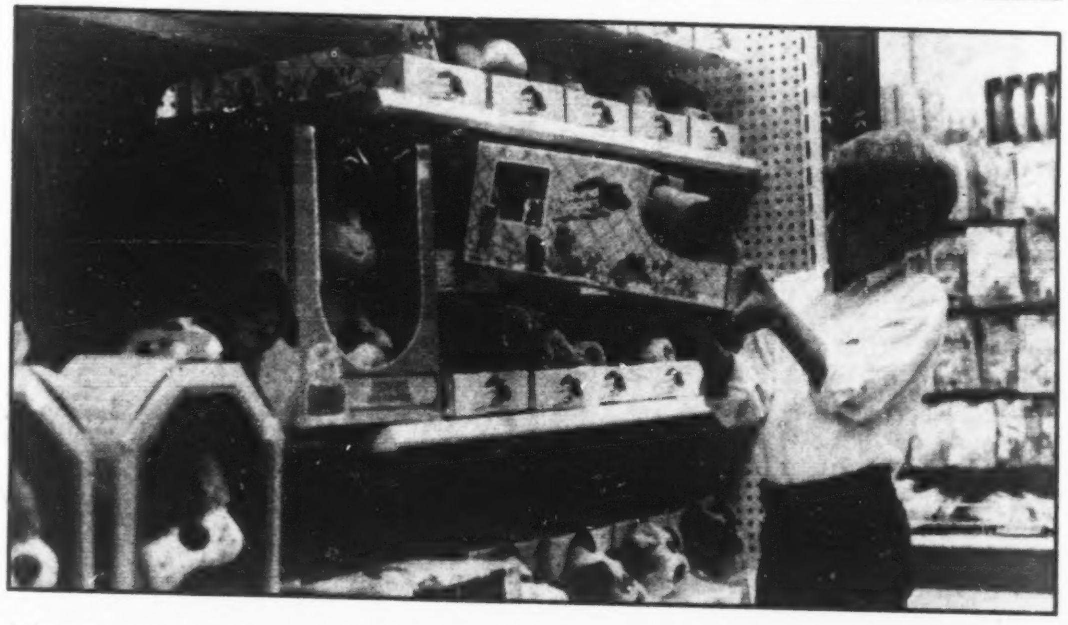
Toys
$8.1 Billion

Full Line Discounters	$4.4B
Catalogers	$0.6B
Specialty Discounters	$3.1B

Full Line Discount
Store Productivity

Sales	$4.4B
Sales per Store	$531,900
Dept. Size	2,560 Sq. Ft.
Sales/Sq. Ft.	$207.81
Turns	2.7
Initial Markup	36.8%
Gross Margin	27.8%

Source: DSN *research*



Licensed plush continues as a strong volume producer in the toy category. The characters featured at discount chains including Caldor, Mahopac, N.J., are holdovers from last year. (DSN photo)

Discounters expect growth in curtain and drapery as department stores abandon the ready-made market for custom work. Gemco, Duarte, Calif., uses mock window display. (DSN photo)

Domestics Leads Chains' Plunge Into Upgraded Home Departments

Nationwide DSN Report

Discounters keyed in on several growth areas in domestics to capture a bigger share of the marketplace.

Through broader and more fashionable assortments, discounters expect to develop their business in bed, bath and kitchen ensembles, basic, juvenile and waterbed bedding, curtains and drapery.

At the same time, several chains continued to integrate domestics into a total home fashion environment encompassing housewares and furniture.

Gold Circle is one of the latest chains to unveil a new home store. The new layout places decorative home, including area rugs and decorative pillows, adjacent to furniture, and table linen near dinnerware and flatware.

Wal-Mart experimented with the home store concept in a single store, testing the placement of the domestics department in the middle of the store along with housewares, rather than along the back wall.

Some chains, like Gemco and K mart, having already revamped presentations and assortments, stepped back to fine-tune their work and roll out the departments.

For fall, discount and specialty store retailers are looking to higher-count and higher-cotton content sheet sets, bedding in watercolor hues and a continuing infusion of large and small scale florals in pastels and brights.

Retailers at the latest domestics market in New York were also taken with more whimsical bedding styles targeted at the adolescent and teen markets.

In bath, prints on terry caught buyers' attention for fall, along with varied shades of peach, green, blue and rose.

During the past year, discounters have been focusing more strongly on finding a niche in particular categories.

Tied-Together Look

Capitalizing on the trend toward bedroom decor with a polished, tied-together look, discounters have built bedding ensemble assortments.

K mart pushed its bedspreads business by merchandising separately packaged matching accessories. Decorative table rounds, now a part of the chain's everyday assortment, showed outstanding sales.

At the same time, chains such as Gold Circle and Gemco encouraged tie-in sales in the bath area by stocking towels along with matching ceramic and plastic bath accessories and shower curtains.

Waterbed bedding, spurred on by rising waterbed sales, has also become a stronger factor in discounters' domestics departments. Instead of offering very limited assortments, buyers have been building complete departments that include more traditional patterns, broader color palettes in satin, mattress pads and conditioners.

Domestics $4.8 Billion	
Full Line Discounters	***$3.6B***
Catalogers	***$0.3B***
Specialty Discounters	***$0.9B***
Full Line Discount Store Productivity	
Sales	***$3.6B***
Sales per Store	***$435,200***
Dept. Size	***3,150 Sq. Ft.***
Sales/Sq. Ft.	***$138.10***
Turns	***2.5***
Initial Markup	***44.5%***
Gross Margin	***34.9%***

Source: DSN *research*

BEASTS?

The plush jungle is about to crown a new leader.

Are rates of sale on your plush line beginning to soften? Need a winner this Fall? Then meet The Puffalumps™ from Fisher-Price. There's nothing like these satiny-soft, lovable lumps of snuggly stuff.

Outstanding Consumer Test Results. In extensive testing, Puffalumps beat the fur off last year's plush favorites 3 to 1. And demonstrated a remarkably broad age appeal: infants, teens, even adults fell in love.

Superior OTC Sales. Sales in early markets have been outstanding, even prior to TV advertising.

Saturation National Ad Campaign. Beginning in July, over $7 million will be spent, including heavy network TV, with lots of prime time to reach moms and kids. Over 50 million households each week. Plus, 25 four-color magazine insertions.

Major Fall Promotion. Big tie-in with Procter & Gamble's Luvs® diapers. Special P&G commercial this August. Direct-mail to 5.5 million homes. Puffalumps on the front of over 5 million Luvs® boxes, along with a special sweepstakes offer.

Continuous P.R. Support. Extensive national public relations program will run uninterrupted from May to December.

Order Today. Special hot line number: **1-800-828-1440,** or in New York State, **1-800-462-1460.**

THE PUFFALUMPS™
LOVABLE LUMPS OF SNUGGLY STUFF

Only by Fisher-Price®

Discounters Look to H&BA Dept. for Price Wars Strategy

Nationwide DSN Report

The battle of the '80's—everyday low pricing versus circular driven promotions—will most likely be fought harder in the health and beauty aid department than in any other section of the store.

The dual price cutting strategy is currently wielded by a host of chains, including Heck's, Bradlees, Venture and Gold Circle.

These discounters have tried to draw their competitors' shoppers into the stores with sharp circular prices. Once the customer is there, they hope low everyday pricing, particularly on items like H&BA will keep the consumer spending.

Deep discount drug chains, like Drug Emporium, have not been immune. These operations have steadily drawn away from their no-advertising policies—a crucial underpinning of their low margin operations—and into print.

Overall, the direction of the market is clearly evident in this year's full line department store productivity. Discount H&BA pricing structures pegged average initial markups at about 25%; gross margins averaged 19.6%—and these are among the narrowest pricing policies the industry has ever seen.

Steady Pressure

This steady pressure on profits is forcing discounters to mine potential product categories deeper than ever before. Ethnic H&BA, hair coloring and eye care products are among the underexploited categories discounters used to heat up department traffic.

Last year alone ethnic H&BA gained 28% over the previous year; 41% of the $2.5 billion ethnic H&BA industry is in hair care products which topped $1 billion in sales last year, according to Business Trends Analysts and AHBA.

Discounters have so far claimed roughly 19% of the ethnic market; drug stores lead with 60% of the business.

Beyond the ethnic market, hair coloring mousses and gels were highly promotable for the growing teenage market, especially at back-to-school time, according to industry sources.

Eye care solutions also generated high sales. There are currently 14 million contact lens wearers. By this time next year there will be another two million new contact lens wearers; 75% to 80% of them will be wearing soft or extended wear lenses.

With this in mind, many discounters are adding space and sku's, especially in sensitive eye formulas which are among the top sellers; they have a three-to-one sales ratio over regular soft lens products.

Sales leaders are Bausch & Lomb Sensitive Eye solution, Softlens Cleaning Tablets and Bausch & Lomb Saline solution.

Discounters have had good returns on private label feminine hygiene products and have increased the shelf space devoted to those items. Maxi pads, super maxi, thin maxi and the relatively new item on the market, panty liners, were part of the private label mix. This product introduction has increased category sales without harming sales of other items in the assortment.

Health & Beauty Aids $5.8 Billion

Full Line Discounters	$5.8B
Catalogers	NA
Specialty Discounters	NA
Full Line Discount Store Productivity	
Sales	$5.8B
Sales per Store	$701,100
Dept. Size	3,140 Sq. Ft.
Sales/Sq. Ft.	$223.25
Turns	4.7
Initial Markup	25.3%
Gross Margin	19.6%

Source: DSN research

$2.38
$2.97
$1.43
DISCOUNT

Everyday low pricing, a cornerstone to Wal-Mart's merchandising strategy, is prevalent in H&BA at most discount chains as competition with deep discount drug stores heats up. (DSN photo)

To Our Customers...

We Listen,
We Care,
We Can Help.

Warner-Lambert's ability to remain a viable business entity depends on our ability to innovate, create and change for you, Our Customer.

HALLS
Listerine
Schick
Benylin
REMEGEL
Dentyne
Trident
Clorets
efferdent
Benadryl
Sinutab
CERTS

The Consumer Health Products Group is in the midst of an aggressive new product development program featuring the OTC line of Parke-Davis.

The American Chicle Group has long been a pacesetter in chewing gum, breath mints, cough tablets and antacids.

The respected Parke-Davis name is the mark of excellence in many widely used ethical pharmaceuticals.

We are committed to providing high quality health care and consumer products of real value that meet customer needs.

WARNER LAMBERT

Children's Wear Dept. Emerges to Become Discount Hit

RENS
GIRLS 4-6X

Heck's designed an expanded children's department for its 60,000-sq.-ft. superstores. In Proctorville, Ohio, infants, toddlers and young girls' areas are set apart by signing. (DSN photo)

Nationwide DSN Report

Children's wear increasingly has become a darling of an apparel department for discount chains.

Fashion influences in girls' wear and a gift-driven newborn business were just two of the areas that spurred optimism in the categories.

In response to the positive market influences, most chains were out to further boost sales by improving in-store presentations.

Jamesway experimented with a center store children's section in a Syracuse, N. Y.-area store. The idea of that test was to create a children's world within the store instead of tying girls' wear to ladies' clothing and boys' wear to the men's wear department.

Gold Circle, currently putting together a new protoype store in Cincinnati, was also out to emphasize children's wear as one of its key areas.

Gemco started to play-up its kids' wear department with at least two floor-to-ceiling focus wall displays within a department located in the front right corner of its newer stores.

Earlier this year, better presentation was the aggressive game plan set forth by chain merchants aiming to develop the newborn business. Nichols, K mart, Gold Circle and Fisher's Big Wheel were among chains slated to get improved signing and better segmentation of newborn items.

Aggressive approaches in kids' wear go beyond signing and presentation.

In the case of newborn clothing, Nichols expected to put twice as much merchandise on the selling floor. Inventory levels were to be raised at Fishers Big Wheel as well. At K mart, the buying budget for newborn was broken out from the rest of the infants/toddlers open-to-buy, as part of that chain's efforts to realize the newborn potential.

K mart, traditionally strong in children's wear, launched two other kids' wear programs this year: One for little girls' and another to build its older girls' business.

In the spring of this year, the chain started to sell half-sizes for older girls and also launched a membership club for little girls through its Noah's Ark private label line.

Important Size Range

That 4 to 6x size range is proving an important one at K mart. An executive told *DSN* that volume growth in the size range was double that of other apparel areas. The baby boomlet of the 1980's is now starting to impact that size range, he explained.

K mart initiated the half-size girls' wear program based on its success with large sizes for women and husky clothes for boys. The chain executive also noted similar programs and Sears and J. C. Penney.

Sasson, Kahn-Lucas and Wrangler were among the vendors asked to produce clothing to match K mart's sizing specifications. Hangtags on the merchandise gave the height, weight and chest, hip and waist measurements for the size, which ranges from 8½ to 16½.

Junior-oriented fashions fueled industrywide excitement and potential for gains in the girls' 7 to 14 business.

The fall '86 approach taken by discounters such as Caldor, Jamesway, Maxway, Hecks and Family Dollar was to key into the casual and trendy looks and cut back on the basics because the girl's wear business so closely mirrors the juniors market this year.

In terms of color that meant more black in bottoms designed to match bright solid or printed oversized tops.

Fleecewear is what delivers the trendy, casual look the girls thirst for, buyers agreed. One buyer was planning to have 50% of his tops in fleece for this fall. In bottoms anything knit was the overwhelming order for fall.

Jumpsuits, which this year emerged as a hot seller in the juniors area, were expected to take hold in girls' wear for fall.

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Size-Oriented Boutiques Reshape Ladies' Wear Departments

Nationwide DSN Report

Discounters' efforts to emulate successful specialty stores by tailoring assortments narrow and deep has transformed ladies' wear departments into a series of areas sharply targeted to misses, junior, petite and large-size customers.

This strategy made it easy for discounters to zoom in on the season's hot sellers. It also aids efforts to increase sales by making a play for the various ladies' wear shoppers.

Petite-size clothing was one of the newest ladies' wear areas that discount stores have begun to hone. Target has carved out sections in some of its stores and Bradlees set up sections in 59 of its 157 stores during the last few months of 1985. Space was reportedly the only factor hindering a chainwide rollout.

Junior sections have become easier to spot. Bradlees latest prototype and Caldor's newer units showed the stronger focus on juniors.

Intimate apparel/lingerie departments and ladies' accessories have emerged as potential growth categories as discounters become more adept at matching fashion issues with a particular customer.

Caldor was one chain that completely overhauled intimate apparel and hosiery assortments with more colorful offerings and branded lines in an effort to bring the assortments in line with the rest of its ladies' apparel.

Gemco's efforts to place more emphasis on lingerie and intimate apparel meant moving the sections to the front of the stores, opposite the checkouts. And focal displays were devoted to ladies' panties, handbags and hosiery.

Large-size ladies' apparel is another category Gemco strengthened. After about five years out of the business the chain threw its hat back into the ring with expanded large-size sections in all of its stores. The newer departments were designed to be shallower and easier to shop.

K mart spun off a new division for large-size ladies' wear this year. The chain has planned to match the 20% sales gains it charted in 1985.

On the off-price front a crop of specialty chains are expanding rapidly. The Answer has grown from 13 stores to 37 in the past year and expects to end '86 with 50 units. A total of 100 units have been slated to be completed the end of 1988.

At least three other such off-pricers have expanded with all indications of eventual national presence.

The Limited's 293-unit Sizes Unlimited is the largest; the 20-unit Extra Special/Modern Woman chain was due to become bicoastal this year, and, the smaller West Coast-based Extra Special operation has planned six East Coast stores this year—for a total of 37 by year end.

Adding petite apparel sections is one way chains expect to boost ladies' wear sales. Bradlees started to add departments in its larger stores, including Mill Creek, Md., last fall. (DSN photo)

Another contender for the budget off-price business is the Charming Shoppes' 130-unit Fashion Bug Plus stores, a moderate price to budget specialty store. The addition of 32 stores last year and planned addition of 25 this year underscored the potential retailers see in the category.

The K mart merchandiser pointed to 35 million large-size women. Of those 50% reportedly work, 80% are married and as a group they spend some $8 billion on clothing.

As at other chains, K mart's approach in apparel is to develop private label. In ladies' wear that approach landed the national Crayons brand junior line into 1,400 stores starting last fall. The chain had tested the line in 500 stores.

K mart's exclusive Jaclyn Smith line was expanded in the spring of this year. The private label line is now about a year old and includes maternity wear in addition to the misses clothes, shoes and pantyhose bearing the label.

Caldor's revamped apparel approach prompted the chain to drop the Marc Robbins name that had been used in both hard and soft goods from the apparel line-up. The chain debuted a cache of ladies' wear house labels including Cleo, Spirit, Spirit Sport and Pembrooke Classics.

Each label represented a specific portion of the business. Cleo, for example, was designed for a contemporary, woman who has outgrown juniors but is more daring than misses, a chain merchandiser explained.

A beefed-up presentation, a narrow and deep assortment and a new private label program was also the equation at Fishers Big Wheel. The prototype that was unveiled late last year featured more focal displays in apparel. The private label was due in late spring.

Women's Wear: $20.4 Billion	
Full Line Discounters	$15.3B
Catalogers	$0.3B
Specialty Discounters	$4.9B
Full Line Discount Store Productivity	
Sales	$15.3B
Sales per Store	$1,850
Dept. Size	10,000 Sq. Ft.
Sales/Sq. Ft.	$185.00
Turns	5.0
Initial Markup	48.9%
Gross Margin	30.2%

Source: DSN *research*

ANNUAL REPORT **MEN'S/BOYS' WEAR**

Chains Dress Up Men's and Boys' Wear Depts. with Color

Nationwide DSN Report

Men's and boys' wear promised to remain a colorful area on the discounters' selling floor.

Merchandisers have formulated a fuller fare of color but offered safe, proven styling to keep the sales pace of men's and boys' apparel at an acceptable canter. And, discounters seem determined to emphasize their men's wear assortments as much as possible through in-store placement.

Caldor opened in Secaucus N.J., recently with a men's wear section opposite the main entrance. Bright colors in shorts, woven shirts, young mens' tops and even accents on traditionally styled polo shirts cast an updated hue over that department.

In September retailers will once again drop in on the Men's Apparel Guild in California (MAGIC) show for a peek at the latest and the greatest for next spring.

If the last two MAGIC shows are any indication, discount merchandisers will take it all in but only take home the very, very saleable.

Last September, buyers who shopped spring '86 at the MAGIC show called the trendy offerings the "icing on the cake" not the meat and potatoes of their mixes.

At the February '86 MAGIC show most of the enthusiasm was sparked by bright colors. Merchants felt they could successfully combine basic looks with the new colors for this year's fall season.

Tops—fleece, long-john styled Henley knit shirts, puffed-ink prints and cotton wovens and jacquard or printed sweaters— provided all the fashion interest for fall.

Suspenders were seen in bright accent colors as the fashion accessory to pull together ribbed shirts, soft unstructured jackets and pants.

Discounters have been viewed as strong sellers of men's wear by vendors looking to post sales gains. Therefore, Munsigwear and Manhattan shirts have began rolling out lines for the mass market.

Munsingwear's line included 16 colors of knit tops in stripes and solids slated for delivery at Bradlees, Gold Circle and Wal-Mart. Most importantly, the label for discounters—Slammer USA—included the Munsingwear tagline to address discounters' desire for brand names.

Manhattan's dress shirt and accessory line also bore its brand name, which was licensed for pants socks and knit tops. Caldor and Bradlees bought that label for this fall.

With the same bright but basic story in boys' wear, buyers geared up for a promotional back-to-school season.

Artic fleece—in tops or lightweight outerwear—was pegged to be a hot seller this fall. Basic bottoms, including jeans and denim jackets, either unlined or with colored linings rounded out mixes.

In boys' wear, added color was the overwhelming strategy to boost sales this fall. Ames planned to offer seven colors in polo shirts compared with four last fall.

In men's wear, all the basic categories, including men's activewear and fashion underwear are expected to track sales gains with the help of broader color assortments.

Miami Vice popularized colored undershirts worn underneath soft, longer jackets. This has influenced the entire underwear business at chains, which stock colored briefs along with the undershirts.

Activewear was a category that benefitted from the insurgence of color, as well as the overall vitality of fleece and the strenth of athletic influences in men's wear.

Many discounters sell functional activewear in the sporting goods department and then keep a second men's activewear department in the soft lines side of the store.

A *DSN* poll conducted earlier this year showed that unlike many of the men's wear categories, men often buy their own sweat shirts, warm-ups, shorts and sneakers.

In the men's activewear category catalogers also competed for the business.

Best Products was projecting 20% to 25% gains in its sporting goods apparel business this year. The catalogers' business is very basic with gray and blue sweats and silver warm-ups with black accents dominating the mix.

Off-pricers have had some difficulties of their own. The story at U.S. Shoe is typical. The men's off-price division found its assortment too high in taste and price level and too heavily skewed to tailored clothing. This year the chain intensified its mix to strengthen its appeal to the younger, fashion conscious shopper.

Men's/Boys' Wear $11.4 Billion	
Full Line Discounters	$8.9B
Catalogers	NA
Specialty Discounters	$2.5B
Full Line Discount Store Productivity	
Sales	$8.9B
Sales per Store	$1,076
Dept. Size	7,710 Sq. Ft.
Sales/Sq. Ft.	$139.56
Turns	3.3
Initial Markup	46.5%
Gross Margin	34.4%

Source: DSN *research*

Activewear is a hot growth area according to men's wear buyers. At Prange Way, Green Bay, Wis., men's activewear is stocked in the sporting goods and the sportswear section. (DSN photo)

At K mart, Lodi, N.J. cookies and snack crackers are part of the chain's expanded food mix which also includes juices, other beverages, nuts, candy and party foods. (DSN photo)

Chains Rebuild Consumables Mix To Fatten Up In-Store Traffic Flow

Nationwide DSN Report

Increasingly, discounters are returning to an old staple—consumables—to build traffic in their stores.

In past years, most discounters slowly withdrew from most of this category because of low margins and intense competition from supermarkets and convenience stores. In addition, as many chains sought to upgrade their image with department store-like presentations, consumables were jettisoned as out-of-step with that effort.

But despite past disappointments and an unwillingness to give consumables sufficient attention, discounters have rediscovered the ticket-building potential of snack foods, beverages and nonfood consumables.

While profits for many consumables—such as carbonated soft drinks—remain low, their traffic-building ability and appeal as an impulse purchase is undeniable. Soft drinks turn as much as 45 times annually for some discount chains.

But despite high turns, Hills, for one, has decided to finesse the issue of soda pop's low profitability by conceding carbonated soft drinks to supermarkets and compete with noncarbonated juice drinks instead. Along with higher margins, the brik packs of these beverages have the added virtue of taking far less space than six-packs and unwieldy two-liter bottles.

Bulky packages don't faze warehouse clubs. The outlets, which rely heavily on grocery and other consumables, have concentrated on the larger sizes and multi-packs.

Consumables accounted for approximately half the total sales volume of this newer type of discounter. In Indianapolis, The Wholesale Club placed key grocery items such as frozen foods and dairy and deli products at the rear of its building in order to draw customers through general merchandise offerings.

Major Element

Many discount chains began life with full-scale grocery departments as a major element in their stores.

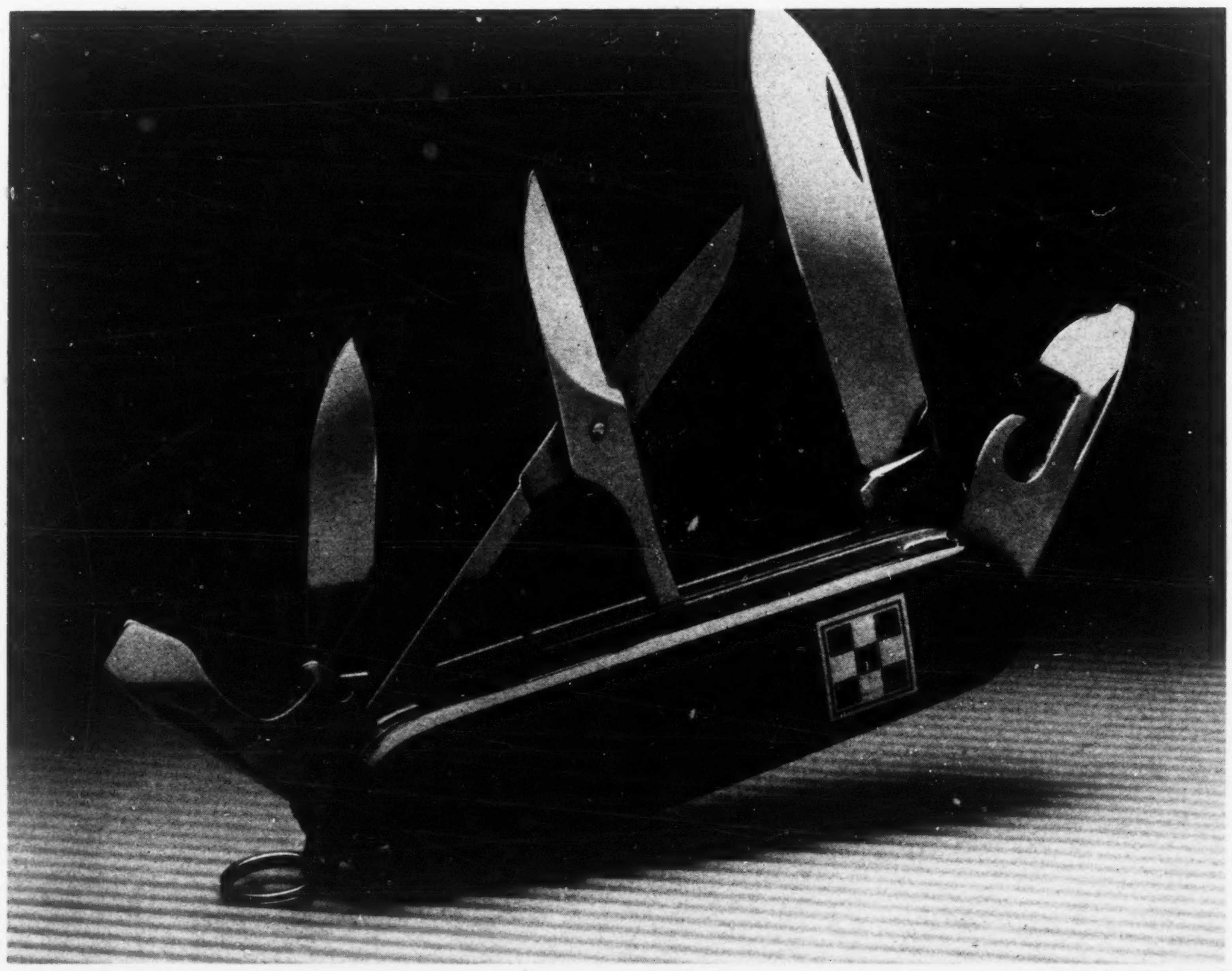
Today, however, these integrated supermarkets are less common and many discounters are cutting back even further on dry groceries and canned goods in favor of more impulse-driven products such as microwave popcorn and honey-roasted nuts.

Gold Circle eschews grocery staples but has recently expanded its shelf space for snacks from an average of 28 ft. per store to 40 ft.

In many stores, K mart attempts to build excitement and create a distinctive look with Party Shop departments. The section combines beverages with snack crackers, nuts, olives and antipasto as well as nonedible consumables such as cocktail napkins.

Candy, a key consumables category for discounters, has been dominated by frequent seasonal spurts, such as Halloween, Christmas, Valentine's Day and Easter. But last-minute markdowns frequently have left discounters with a bitter taste as they attempt to clear out inventories on novelties. Some chains have responded by trimming the assortment of holiday novelties in favor of basic candies, but others like Zayre tough it out, refusing to mark seasonal goods down until a holiday has actually passed. They reason that much of the business comes from last minute shoppers who will readily pay full price.

Still, seasonal candies are an important portion of the business in discount stores, accounting for a full third of total annual sales.



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Sporting goods at K mart, Southfield, Mich., included badminton sets as well as relatively high-end items such as Prince tennis racquets and golf sets priced close to $100. (DSN photo)

Discounters Throw Sales Weight Behind Fishing, Camping Gear

Nationwide DSN Report

Discount stores and specialty chains are expecting modest increases in sales of sporting goods for 1986. As a result, they focused on key item promotions to maintain market share.

One factor brightening the outlook is the 1986 trend to stay at home and domestic, rather than overseas, vacations.

Discounters looked more closely at categories like fishing, also in response to changing leisure time habits.

Discounters skewed their fishing assortment toward affordable basics in lure kits, tackle boxes, rods and reels, in an attempt to get new customers hooked on the category and generate repeat sales.

At Target, rod and reel brands like Garcia, Shakespeare, Shimano and Cardinal were promoted with sale prices and rebates. The Garcia Sensor Touch rod and Cardinal reel that usually sold at $51.98 have been discounted to $43.98 and a $15 rebate brought the final cost down to $28.98. The Shimano Mark II reel that regularly sells for $24.99 was offered at $19.99. Shakespeare Omni reels regularly priced at $6.99 were promoted at $4.99 and were packaged with a Plano tackle box that is not on sale. Target also offered 25% off the price of its assortment of Rapala lures.

At Venture, fishing rods by Zebco, Berkley and Southbend, spinning or spincast, were all on sale with 50% savings. The regular price was cut from $14.99 to $9.99 and consumers were offered their choice of all three brands.

In late spring promotions, just about every chain took a swipe at promoting baseball gloves, and many also slapped a sale price on bats.

The Promotional Pace

Target set the promotional pace with 25% off on its entire baseball and softball assortment, including brand names like Wilson, Rawlings, Spalding, Regent and Mizuno. Prices set at $9.99 to $69.99 everyday were reduced to $7.49 to $52.49 on sale.

The chain also offered 25% savings on soccer balls, volleyballs, basketballs and footballs. All outdoor games were on sale for 25% off, so that game sets like croquet, volleyball, tetherball and horseshoes that normally sell for up to $49.99 were listed at a top price of no more than $37.49.

Gold Circle reduced prices on all bats and gloves in stock by 20% and combined the offer with 25% savings on Puma footware.

Harts took a similar approach, offering 20% off prices on Rawlings and Regent softball gloves. The everyday prices ranged from a low of $8.88 to $58.88. The chain combined its baseball glove sale with lower-cost activity sets like Jarts, on sale for $3.97; Kent badminton sets for $5.88, and Kent volleyball sets at $14.99. Prices averaged reductions of about 20%.

Sporting Goods $6.1 Billion	
Full Line Discounters	**$4.0B**
Catalogers	**$0.5B**
Specialty Discounters	**$1.4B**

Full Line Discount Store Productivity	
Sales	**$4.0B**
Sales per Store	**$483,500**
Dept. Size	**2,500 Sq. Ft.**
Sales/Sq. Ft.	**$193.60**
Turns	**2.0**
Initial Markup	**37.5%**
Gross Margin	**29.2%**

Source: DSN *research*

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May Stores: Venture, Caldor Stay Separate Chains

Chains' Strengths Preempt Venture/Caldor Merger

By ARTHUR MARKOWITZ

NEW YORK — May Department Stores contends it will continue to operate Caldor as a separate upscale discounter, rather than merging the East Coast chain with its Midwest Venture discount division.

Speaking at a press conference, three top May executives asserted Caldor, Loehmann's and 10 other Associated Dry Goods (ADG) chains would continue to be operated as independent divisions following the merger with ADG, which is now pending shareholder approval.

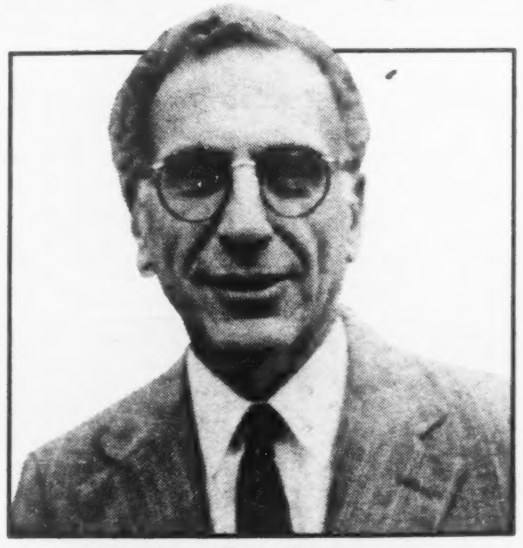
The three executives, in separate comments during the conference, specifically discounted trade speculation about an eventual merger of Venture and Caldor.

"We're going to keep these two chains separate. Both have a marvelous franchise and very strong positions in their market. Each is highly respected by consumers," said David C. Farrell, May chairman and chief executive officer.

He added that ADG had "highly talented executives" running its various chains and one benefit of the May/ADG merger was having these people join May.

(Continued on page 26)

James M. Guinan
Chairman, CEO, Caldor



Julian Seeherman
President, CEO, Venture

CALDOR

	Fiscal Year Ended	
Caldor	**2/1/86**	**2/2/85**
Sales	$1,338.0*	$1,257.0*
Operating Income	102.4**	86.0**
Stores	109	103

(In Millions)
*DSN estimate *Source:* DSN *research*
**Includes operating income from Loehmann's.

Venture

	Fiscal Year Ended	
Venture	**2/1/86**	**2/2/85**
Sales	$1,003.8	$882.0
Operating Income	58.0	49.8
Stores	62	57

(In Millions)
Source: DSN *research*

Caldor, Venture Duet Doubles May's Discounter Fire Power

ST. LOUIS — May Department Stores' pending acquisition of Associated Dry Goods (ADG) will give the retailing conglomerate a double-edged sword to fight other upscale discounters in the Eastern half of the country.

In the Midwest, May will continue with its Venture division which faces tough everyday competition from Target, a chain whose decor package and merchandise assortment industry critics have said are so close to Venture's as to confuse consumers.

On the East Coast, May will gain Caldor, which is striving to define an upscale apparel niche to strengthen its market position without going over the discounting edge like its closest rival, Bradlees.

Venture, already positioned in the apparel/soft lines business, is generating an estimated $182.95 sales per sq.ft. compared to Caldor's estimated $148.75.

With the takeover, however, Caldor stands to get a leg up in the apparel business by keying into two May corporate level operations which have helped Venture establish a strong position in soft lines: May Merchandising Corp., which works to pinpoint domestic fashion

(Continued on page 26)

Best Dismissal Builds Huntley's Role

News Analysis

RICHMOND — Bernard A. Cohen, executive vice president of troubled Best Products, was dismissed by top management to clarify the executive suite reporting structure of the $2 billion cataloger, according to trade observers.

Cohen's dismissal ended the blurring of authority between himself and Robert E. R. Huntley, Best's president and chief operating officer.

In addition to holding the title of executive vp, Cohen was also president of the Best retailing group, responsible for the day-to-day operations of the company's three retailing businessses: Best catalog showrooms, Ashby's apparel specialty stores and Best Jewelry specialty stores.

With Cohen's firing, all top executives now report directly to Huntley. Before, executives in such areas as merchandising, marketing and operations reported to Cohen who, in turn, answered to Huntley.

Huntley "believes communications are better with one person having the authority to run the company. It's hard for two people to share the authority," a company spokesman reported.

The restructuring trig-

(Continued on page 7)

1986 DISC Award Campaign Begins, Honors Service to the Community

NEW YORK — *Discount Store News* is now accepting entries for the 1986 Discounters in Service to the Community (DISC) Award program.

The winner will be announced in the November 24 issue of *DSN*; a special awards luncheon will follow in the winning chain's headquarters city.

Since 1979, *Discount Store News* has been recognizing the outstanding community service efforts of the discount store industry with this annual award.

In past years, Target, Zayre, Jamesway and Ames have all earned recognition for the community outreach endeavors of their store and headquarters employees.

Discounters are now invited to submit to a panel of industry and retailer judges any documentation (including newspaper clippings, letters, videotapes, etc.) that adequately describe the goals and achievements of the service programs they conducted in 1985.

Each entry should contain six complete copies of each supporting document as well as a 100-word statement outlining the program goals.

All entries should be sent to: Editor, *Discount Store News*, 425 Park Avenue, New York, N.Y. 10022. They must be received by the editorial office no later than October 1.

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OZZY

Wal-Mart, reportedly responding to pressures from outside interest groups, recently took 32 rock and roll and teen magazine titles, including these, off store shelves.

Discounters Are Resisting Outsider Push to Censor Mix

By BETH A. SEXER
Nationwide DSN Report

Discount store retailers are holding the line against censorship campaigns being waged by outside groups eager to dictate what the chains can and cannot sell.

Their position has also not been changed by the recent Justice Dept. Commission on Pornography hearings, which saw the government agency move to have certain retailers ban adult magazines from their shelves.

(The Commission has, however, retracted a letter it sent out warning retailers who sell adult magazines that they would be branded pornography distributors.)

The one notable exception among discounters was Wal-Mart which, reportedly swayed by the preaching of Rev. Jimmy Swaggart, out-

(Continued on page 25)

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AFTMA Exhibitors
Lure Buyers
—page 18

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Feds Join Chains to Get Court Review of Gray Market Ban

WASHINGTON — Justice Department officials joined with discount industry leaders in urging a Federal appeals court to reconsider its controversial decision to slam the door on parallel imports.

At the same time, Congressional "gray market" advocates advanced new legislation to overturn that court ruling and preserve current Customs Service rules permitting parallel imports.

The focus of these latest Washington initiatives: a decision earlier this year by the U.S. Court of Appeals for the District of Columbia striking down long-standing Federal regulations enabling discounters to sell many foreign-made products as much as 40% below prices charged by "authorized" distributors.

No Exclusion Orders

Under present Customs Service rules, neither foreign manufacturers nor their corporately-related U.S. trademark holders are entitled to seek "exclusion orders" barring unauthorized importation of their products into the U.S.

Although a series of earlier court decisions have upheld this Customs policy, the Federal appeals panel in Washington ignored those precedents and ruled that the agency's regulations violate the intent of Congress when it enacted the Federal Tariff Act.

In asking the appeals court to reconsider and rehear the case, attorneys for the Justice Department argued that the tariff law was designed to protect the rights of American firms, not those of foreign manufacturers or their U.S.-based marketing branches.

"When Congress enacted the statute it did not consider the question whether the statute would apply to American subsidiaries of foreign corporations or to goods manufactured abroad under license by an American trademark holder," the government said.

"Given the intent of Congress" in passing the Tariff Act, they argued, Customs' pro-gray market regulations "represent a reasonable construction of the statute."

In a separate brief supporting the Justice Department's petition, K mart warned the court that if gray market imports are banned, "the American consumer will annually pay hundreds of million of dollars in overcharges."

The chain estimated annual retail sales of such unauthorized but genuine imports at $6 billion.

According to K mart, "almost every consumer has purchased a parallel import and will therefore be affected."

Concern over the appeals court's ruling has also spread to Capitol Hill where new legislation has been introduced to reverse that anti-gray market decision.

That bill, sponsored by Sen. John Chafee (R-RI), would resolve the dispute over Congressional intent by adding new provisions to the Federal Tariff Act specifically permitting parallel imports.

Prompt Consideration

In urging prompt Senate consideration of that measure, Chafee warned that "if we eliminate the paralled market, U.S. consumers will really suffer, being forced to pay up to 40% more" for many popular foreign-made goods.

In addition, he said, the availability of many of these imported lines "will be limited only to those major metropolitan areas where exclusive 'authorized' stores locate."

Chafee, whose bill has already drawn support from Sens. Warren Rudman (R-NH) and William Roth (R-DE), blamed greedy foreign manufacturers for creating the demand for gray market imports by overpricing their products in the U.S. market.

"The foreign firms see the United States as a wealthy market where they can demand higher prices for their goods than anywhere else in the world," he told Congress. "They set prices 30% to 40% higher here than overseas."

These huge price differences have "led to the enormous growth of 'price competitive' retail stores and catalog showroom businesses which buy their goods from the independent (parallel) importers," Chafee added. "Price conscious Americans who shop at these stores may be saving billions of dollars annually."

The current Congressional and courtroom efforts to preserve parallel imports take on particular significance in view of recent proposals by the Customs Service to strike a gray market compromise.

Proposed rule changes announced by the agency just last month would continue to allow such unauthorized imports, but require that either trademarks be removed from

(Continued on page 25)

New ITC Study Supports Tougher Import Controls

WASHINGTON — U.S. textile industry groups pushing for tougher "Multifiber Arrangement" (MFA) restrictions on apparel imports drew fresh ammunition from a new study released late last month by the International Trade Commission.

That ITC study, a report on the effectiveness of MFA restrictions on 41 foreign nations, found that despite these bilateral agreements, total shipments of MFA-controlled textiles and apparel to the United States rose by 294 million square yard equivalents (SYE) last year.

That rise, an increase of 8% over 1984's level, pushed total imports of soft goods from MFA countries to 10.6 billion SYE in 1985, according to ITC researchers.

But discount chains and other proponents of lower barriers on apparel imports may also cite ITC's study findings to justify their postion during the current round of MFA renegotiations.

Although the Commission's figures indicate a rise in total imports of textiles last year, ITC officials stressed that the nations subject to MFA restrictions are supplying the U.S. with a declining percentage of our total apparel imports.

Specifically, the report noted that "the share of total imports from these (41) controlled countries declined from 82.1% (in 1984) to 79.0%" (in 1985).

Woolworth on Expansion Track

Aims to Increase Specialty Store Sales

PHOENIX — Woolworth, stepping up its commitment to specialty retailing, has increased its capital expenditure budget to $225 million, with most of those funds directed at opening some 650 stores in 28 specialty formats by the end of this year.

Of those openings, 73%, or 475 units will be concentrated in seven of the company's fastest growing chains, John W. Lynn, chairman and chief executive officer, told a meeting of security analysts here.

The investment is expected to bring the company closer to its stated goal of increasing the sales contribution of its specialty stores to 37% of total corporate volume in 1989.

For the fiscal year just ended, specialty stores produced 33% of total sales, versus 31% for the previous year.

Kids Mart, the off-price children's wear division of Woolworth's Little Folk Shop chain, will benefit. Fifty Kids Mart stores will open this year; bringing its year-end total to 246 units.

Afterthoughts, the fashion jewelry and accessories chain which debuted last year; the Foot Locker athletic footwear chain, and Lady Foot Locker, the women's athletic footwear and sports apparel retailer, will also benefit.

Other divisions slated for capital spending are Sportelle, a principally Canadian chain selling women's leisure apparel; the Athletic Shoe Factory, for promotionally-priced family athletic shoes and apparel, and Burger King units, which have replaced food-service areas in several renovated Woolworth stores.

The company will double the units in its The RX Place, a deep discount drug chain launched last year.

As many as 300 of the specialty stores opening this year will be carved out of less productive space in existing stores belonging to Woolworth, said Lynn. For example, one Woolworth general merchandise (variety) store in a Jacksonville, Fla., mall now has an adjoining Afterthoughts fashion jewelry and accessories boutique, a Herald Square stationery unit and a Frame Scene picture frame specialty shop.

Woolworth's pursuit of the specialty store market has, for the first time, brought that segment's share of total operating earnings over the 50% mark. That percentage is expected to increase to 56% by the end of fiscal 1988.

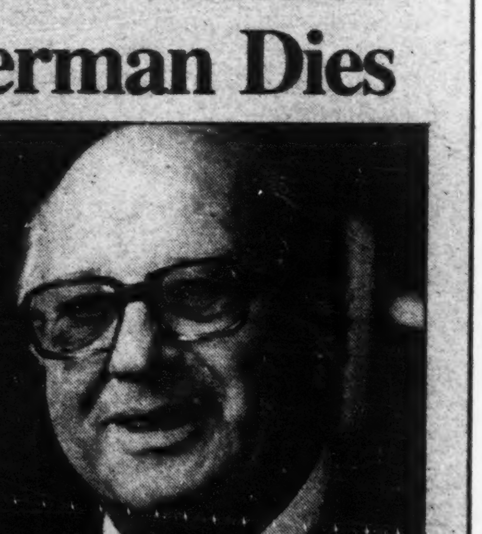
For the fiscal year ended Jan. 31, 1985, Woolworth's total sales rose 3.7% to $6.0 billion, from previous year's sales of $5.7 billion.

Net income jumped 26% to $177 million last year, versus earnings of $141 million the year before.

Chains Target Youth Bedding

Gold Circle is going after the youth market in domestics with bedding pattern offerings like "Phantasia" by Bibb. Items are marketed for children who have outgrown character license-patterned juvenile sheets. The youth market is the latest domestics segment discounters are using to generate excitement in bedding. See story page 11.

Service Merch. Founder Harry Zimmerman Dies



Harry Zimmerman

NASHVILLE — Harry Zimmerman, founder of Service Merchandise, died at St. Francis Hospital in Miami of complications following heart surgery. He was 75.

An August 14 banquet in Nashville's Opryland Hotel to honor Zimmerman and also raise funds for his favorite charity, the Muscular Dystrophy Association, instead was turned into a tribute recognizing his leadership in the catalog showroom industry.

About 1,000 people had previously indicated they would attend the banquet. Service Merchandise, through the banquet, instore efforts and employee contributions expects to raise $500,000 for the charity this year, $100,000 more than in 1985. A decade ear-

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CompuServe To Now Market Electronic Mall

COLUMBUS, Ohio — CompuServe has taken over the marketing of The Electronic Mall, its electronic retailing service for home computer users.

The Electronic Mall had been marketed to retailers by the Advanced Media Group (AMG), a subsidiary of L. M. Berry. However, when Bell South recently acquired L. M. Berry, the Bell System divestiture ruling required AMG to be sold.

CompuServe, which is an H & R Block subsidiary, purchased AMG's assets for an undisclosed amount, hired its employees and assumed the marketing of the Electronic Mall to retailers and service companies like banks and airlines.

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MC Sporting Goods Plans Chicago Invasion

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sq.-ft. store in downtown Chicago and two 30,000-sq.-ft. stores in the suburbs.

Two MC stores opened several weeks ago in the Old Orchard Shopping Center in Skokie and in the Northwest suburb of Schamberg.

Another store is scheduled to open this month, followed by one next month, said Raleigh Finkelstein, vice president and buyer of Michigan Sporting Goods.

Chain management also expected to open six more stores in the Chicago market next year, leaving five to go for 1988 launchings, said Finkelstein. All 15 stores, which will range in size from 15,000 to 30,000 sq. ft., will be located in suburban areas.

The chain, which had previously limited itself to stores in Michigan and Ohio, also planned to open two other stores in new markets in those states next year. This is in keeping with plans to contain growth within Midwest markets, Finkelstein added.

The presence of several established competitors in the Chicago market, however, has left Michigan Sporting Goods undaunted.

The chain was attracted to the area by its large suburban population and its high percentage of middle- to upper-income consumers, said Finkelstein.

Also, the added print and broadcast advertising dollars poured into the market by the promotionally oriented chain might stimulate more consumer interest in buying sporting goods across the board, rather than diluting each retailer's sales significantly, he added.

With Michigan's entry into the market, "everybody's going to do a little more business," said Laurence Mages, president of Morrie Mages sports. "On the other hand, everyone will want to be more price competitive. It'll be tight on profits."

He added, Michigan Sporting Goods may also find the going rough until it has enough stores in the marketplace to make the advertising spending worthwhile.

"They're going to have to open up a lot of stores and open them very quickly if they want to make the impact that they want," he said.

Also, the newest competitor on the block might be at a disadvantage because of its Michigan headquarters. The logistics of getting merchandise here, handling it properly, pricing them properly, is tough if you only have a few stores, he said.

Morrie Mages, which currently advertises about three times a week in the *Chicago Tribune* and the *Chicago Sunday Times* in addition to local papers and radio, won't increase advertising spending. The chain will be "more price conscious than we've ever been," Mages promised.

The chain will also try to fight competition by capitalizing on its image as "the local guy" by adding to its logo words to the effect of being a "Chicago tradition," said Mages. (The company's first store, in downtown Chicago, opened more than 17 years ago.)

K mart's continued commitment to fishing tackle, as shown in this Paramus, N.J., store, has positioned the chain to profit from strong growth in sales of rods, reels and accessories. (DSN photo)

Fishing Gear Sales Gain

Chains Consider Year Round Depts.

Nationwide DSN Report

Fishing is on the upswing.

According to buyers at many of the nation's top discount department store chains, fishing tackle sales have netted 10% to 12% increases this year.

Now, they find themselves beset by vendors urging them to convert those gains into a steady year round business.

Some chain buyers have responded positively: One based on the East Coast questioned the conservatism of buyers who shunned the holiday opportunities. "If you don't stock the items, you can't sell them," he reasoned.

His 200-plus store chain enjoyed strong rod and reel combination set sales through the end of the year, he said. In addition, he also had excellent success with tackle boxes. Forty percent of the chain's annual tackle box business is during the Christmas season.

In fishing tackle, he added, he relied on a basic assortment of rods, reels and accessories to tack him through the the gift-giving season. The mix during holiday is geared toward combination sets for beginners or replacement purchases.

He has found that lures and bigger ticket fishing tackle items tend to be more personal purchases, ones not easily predicted by gift buyers.

As in most things, however, not everyone agreed.

Dave Huscher, sporting goods buyer for ALCO, said that while he was willing to listen to vendor arguments about building fishing tackle sales past his strongest selling season, January to July, he thought the reality of the idea was at least premature, and at worst, unworkable.

The Problem of Space

One of the main problems: shaking space loose—both on the selling floor and in year end circular promotions—from the season's key hard lines area, toys. If it was spring, and the roles were reversed, sporting goods buyers said they wouldn't willingly make way for toys.

"It's a nice thought, but you have to be careful because [our] stores are not bigger and there isn't more room on the shelves. So we'd have to cut back on something else."

Huscher said fishing sales have experienced a major growth surge, with sales up "tremendously" for the first six months over the same period last year. Sales in the 1985 period also showed strong increases.

But those increases haven't changed familiar geographic and seasonal sales patterns enough to warrant the risk of taking on additional fourth quarter inventory.

In ALCO's southern market, Texas and Arkansas, the January to July period represented 76.1% of the chain's fishing merchandise sales. The remaining 24% of sales are generated throughout the rest of the year.

In the chain's more Northern markets, which reach as far as Minneapolis, 78.4% of annual fishing gear sales are scored in the first six months; 28.6% for the second half.

What works best for Huscher in the fourth quarter is a mix of 17 sku's featuring five different brands. Price points range from $8.78 for a Zebco selection up to a Shi-

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Sporting Goods Specialists Lock Horns in New Markets

Nationwide DSN Report

The sporting goods chains are on the move.

In an effort to gain market share, they are steadily moving out of familiar marketing territories and taking on other reigning strengths in their home turfs.

Among sporting goods specialists whose sales volume qualified them for top 10 status, the most dramatic example of this showdown mentality is Michigan Sporting Goods' invasion of Chicago.

In the Windy City, Michigan's MC Sporting Goods stores will take on Herman's, Sportmart, Brown's Sporting Goods and another local chain, Morrie Mages Sports.

Michigan Sporting Goods apparently believed the market was big enough for one more chain to succeed, on a grand scale: The chain plans to open 15 stores there by mid-1988. Those new store openings will bring the chain's store count to almost 40 stores in two years.

Houston-based Oshman's, with 205 stores throughout the Sunbelt, California and Nevada, is mounting a push into the Northeast and the Midwest.

Using its new, 33,000-sq.-ft. prototype for its Oshman's Super Sports stores, the chain has announced it will open its first Northeast store next year in New Jersey, Herman's backyard.

Although the chain has not announced plans to close any of its 66 stores in the economically troubled Texas market, Oshman's doesn't expect any real sales improvements in the Oil Belt for three to five years.

For its part, Herman's is continuing under new ownership with much of the growth strategy established under its previous owner, the W. R. Grace Co.

A spokesman for the 131-store chain now owned by the Dee Corporation said Herman's has opened between 15 and 20 new store each year; the chain's newest markets were in Norfolk and Richmond, Va.

Typically, he added, Herman's entered a market with three to five store clusters that provide the necessary economies of scale in distribution and advertising.

Leading Sporting Goods Chains

	Volume (In Millions)		Number of Stores		
Chain (HQ state)	Last Fiscal Year	Previous Fiscal Year	1/85	1/86	1/87
Herman's (N.J.)	$420	$368	115	131	131
Oshman's (Tex.)	312	304	184	205	215
Big 5 (Calif.)	175*	165*	70	89	89
Sportmart (Ill.)	129*	123*	11	12	12
Sunset Sports (Utah)	116*	110*	36	40	40
Dave Cook (Colo.)	62*	56	17	17	17
Gart Bros. (Colo.)	54*	49	13	14	14
Michigan Sporting Goods (Mich.)	42*	38	16	20	26
Academy (Tex.)	37*	35	17	20	20
Irving Sports (Va.)	17*	16	17	18	18

*DSN estimate

Source: DSN research